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HOUSE OF COMMONS
Second Session—Twenty-sixth Parliament
1964

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STANDING COMMITTEE

ON

Agriculture and Colonization

Chairman: RUSSELL C. HONEY, *Esq.*

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1-17

Respecting
PRODUCTION AND PROCESSING OF TOBACCO

TUESDAY, APRIL 21, 1964

THURSDAY, MAY 28, 1964

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WITNESSES

From the Department of Agriculture: Dr. J. A. Anderson, Director General
of Research Branch, Dr. Norman A. MacRae, Associate Director
(Tobacco).

8 RAPPORTS

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1964

STANDING COMMITTEE
ON
AGRICULTURE AND COLONIZATION
(Chairman:) RUSSELL C. HONEY, Esq.
(Vice-Chairman:) PATRICK T. ASSELIN, Esq.
and Messrs.

Alkenbrack,
Armstrong,
Asselin (*Richmond-
Wolfe*),
Barnett,
Béchar, d,
Beer,
Berger,
Cadieu (*Meadow Lake*),
Cardiff,
Choquette,
Crossman,
Cyr,
Danforth,
Dionne,
Doucett,
Drouin,
Émard,
Ethier,
Forbes,
Forest,
Forge,

Gauthier,
Gendron,
Groos,
Gundlock,
Honey,
Horner (*Acadia*),
Horner (*The Battle-
fords*),
Howe (*Wellington-
Huron*),
Jorgenson,
Konantz (Mrs.),
Lamb,
Langlois,
Laverdière,
Madill,
Mather,
³ Matheson,
Matte,
McBain,
Moore (*Wetaskiwin*),
Mullally,
(Quorum 20)

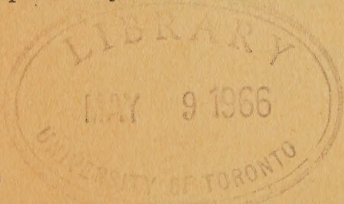
Nasserden,
Noble,
O'Keefe,
Olson,
¹ Ouellet,
² Pennell,
Peters,
Pigeon,
Rapp,
Ricard,
Rochon,
Roxburgh,
Southam,
Tardif,
Temple,
Vincent,
Watson (*Assiniboia*),
Watson (*Châteauguay-
Huntingdon-
Laprairie*),
Whelan—60.

D. E. Levesque
(Clerk of the Committee)

¹ Replaced by Mr. Lessard (*Lac-Saint-Jean*) on April 30.

² Replaced by Mr. Kelly on May 27, 1964.

³ Replaced by Mr. Brown on May 27, 1964.



1073497

ORDERS OF REFERENCE

HOUSE OF COMMONS,
FRIDAY, April 10, 1964.

Resolved,—That the following Members do compose the Standing Committee on Agriculture and Colonization:

Messrs.

Alkenbrack,	Forgie,	Mullally,
Armstrong,	Gauthier,	Nasserden,
Asselin (<i>Richmond-Wolfe</i>),	Gendron,	Noble,
Barnett,	Groos,	O'Keefe,
Béchar, d,	Gundlock,	Olson,
Beer,	Honey,	Ouellet,
Berger,	Horner (<i>Acadia</i>),	Pennell,
Cadieu (<i>Meadow Lake</i>),	Horner (<i>The Battlefords</i>),	Peters,
Cardiff,	Howe (<i>Wellington-Huron</i>),	Pigeon,
Choquette,	Jorgenson,	Rapp,
Crossman,	Konantz (Mrs.),	Ricard,
Cyr,	Lamb,	Rochon,
Danforth,	Langlois,	Roxburgh,
Dionne,	Laverdière,	Southam,
Doucett,	Madill,	Tardif,
Drouin,	Mather,	Temple,
Émard,	Matheson,	Vincent,
Ethier,	Matte,	Watson (<i>Assiniboia</i>),
Forbes,	McBain,	Watson (<i>Châteauguay-Huntingdon-Laprairie</i>),
Forest,	Moore (<i>Wetaskiwin</i>),	Whelan—60.

(Quorum 20)

WEDNESDAY, March 11, 1964.

Ordered,—That the said Committee be empowered to examine and inquire into all such matters and things as may be referred to it by the House; and to report from time to time its observations and opinions thereon, with power to send for persons, papers and records.

THURSDAY, April 30, 1964.

Ordered,—That the name of Mr. Lessard (*Lac-Saint-Jean*) be substituted for that of Mr. Ouellet on the Standing Committee on Agriculture and Colonization.

WEDNESDAY, May 6, 1964.

Ordered,—That, in order to ensure the continuance of the vital part being played by the tobacco industry in the economy of this nation, the Standing Committee on Agriculture and Colonization be empowered to review the research and experimental facilities now provided to the production and processing of tobacco in this country and to recommend such measures as may be expedient to promote and assist in the production of Canadian tobacco.

STANDING COMMITTEE

WEDNESDAY, May 27, 1964.

Ordered,—That the names of Messrs. Kelly and Brown be substituted for those of Messrs. Pennell and Matheson respectively on the Standing Committee on Agriculture and Colonization.

Attest.

LÉON-J. RAYMOND,
Clerk of the House.

REPORT TO THE HOUSE

MAY 29, 1964.

The Standing Committee on Agriculture and Colonization has the honour to present its

FIRST REPORT

Your Committee recommends:

1. That it be empowered to print such papers and evidence as may be ordered by the Committee, and that Standing Order 66 be suspended in relation thereto.
2. That it be granted leave to sit while the House is sitting when necessary to suit the convenience of witnesses.

Respectfully submitted,
RUSSELL C. HONEY,
Chairman.

(Concurred in this day).

MINUTES OF PROCEEDINGS

TUESDAY, April 21, 1964.

(1)

The Standing Committee on Agriculture and Colonization met this day at 10.30 o'clock a.m. for the purpose of organization.

Members present: Mrs. Konantz and Messrs. Alkenbrack, Asselin (*Richmond-Wolfe*), Béchard, Beer, Berger, Cardiff, Cyr, Danforth, Doucett, Forbes, Forgie, Gauthier, Groos, Gundlock, Howe (*Wellington-Huron*), Jorgenson, Lamb, Madill, Matte, McBain, Moore, Mullally, Noble, O'Keefe, Pennell, Pigeon, Rapp, Ricard, Roxburgh, Southam, Tardif, Temple, Vincent, Watson (*Châteauguay-Huntingdon-Laprairie*), Whelan—36.

The Clerk attending and having called for nominations,

Moved by Mr. Roxburgh, seconded by Mr. Pigeon,

Resolved,—That Mr. Russell C. Honey be elected Chairman of this Committee.

Moved by Mr. McBain, seconded by Mr. Béchard,

Resolved,—That nominations be closed.

In the unavoidable absence of the Chairman, the Clerk called for nominations for the election of a Vice-Chairman.

Moved by Mr. Watson (*Châteauguay-Huntingdon-Laprairie*), seconded by Mr. Berger,

Resolved,—That Mr. Patrick T. Asselin (*Richmond-Wolfe*), be elected Vice-Chairman.

Mr. Asselin was invited to take the Chair.

The Clerk was asked to read the Orders of Reference.

Mr. Beer suggested that members should make recommendations to the Committee.

Mr. Rapp,—That the Officials of the Board of Grain Commissioners and those of the Canadian Wheat Board be invited to appear as early as possible.

Mr. Pigeon,—That the Catholic Farmers Union (U.C.C.) and the Coopérative Fédérée be also invited to appear before the Committee.

Mr. Whelan,—That the Committee should find ways and means of inquiring into the sugar situation.

Both Mr. Pigeon and Mr. Roxburgh suggested that the Committee should investigate the tobacco industry.

Moved by Mr. Béchard, seconded by Mr. Forbes,

Agreed,—That a Subcommittee on Agenda and Procedure be appointed comprised of the Chairman, the Vice-Chairman and (5) other Members to be named by the Chairman after consultation with party Whips.

At 10.50 a.m. the Committee adjourned to the call of the Chair.

THURSDAY, May 28, 1964.

(2)

The Standing Committee on Agriculture and Colonization met this day at 9:30 o'clock a.m. The Chairman, Mr. Russell C. Honey, presided.

Members present: Messrs. Alkenbrack, Béchard, Beer, Brown, Cadieu, Cardiff, Choquette, Danforth, Dionne, Doucett, Forgie, Gauthier, Gendron, Gundlock, Honey, Horner (*Acadia*), Howe (*Wellington-Huron*), Kelly, Lamb, Madill, McBain, Moore, Mullally, Noble, Olson, Peters, Pigeon, Roxburgh, Southam, Tardif, Watson (*Châteauguay-Huntingdon-Laprairie*), (31).

The Chairman asked the Clerk to read the Report of the Subcommittee meeting. The Clerk reading:

FIRST REPORT OF SUBCOMMITTEE

THURSDAY, May 21, 1964.

The Subcommittee on Agenda and Procedure of the Standing Committee on Agriculture and Colonization met this day at 11:00 o'clock a.m. in the Chairman's office.

Members present: Messrs. Honey, Danforth, Peters, Asselin (*Richmond-Wolfe*), and Olson (5).

The discussion was on the Agenda and it was agreed that the Order of Business will be the consideration of the Order of Reference received from the House of Commons dated May 6, 1964, reading as follows:

That, in order to ensure the continuance of the vital part being played by the tobacco industry in the economy of this nation, the Standing Committee on Agriculture and Colonization be empowered to review the research and experimental facilities now provided to the production and processing of tobacco in this country and to recommend such measures as may be expedient to promote and assist in the production of Canadian tobacco.

The Subcommittee agreed that the following witnesses be called:

Dr. J. A. Anderson,
Director General of Research Branch,
Department of Agriculture.

Dr. Norman MacRae,
Associate Director (Tobacco),
Department of Agriculture.

L. S. Vickery, Esq., Tobacco Experimental Station,
Delhi, Ontario.

The Ontario Flue-cured Tobacco Growers'
Marketing Board.

The Ontario Burley Tobacco Marketing Association.

A representative from the Experimental Farm at Harrow,
Ontario.

Members of the Committee will be requested to submit the names of other witnesses.

The Committee agreed that the first meeting will be held at 9.30 a.m. on Thursday, May 28, 1964.

The Committee agreed that an attempt should be made to obtain an Order of Reference from the House to permit the Committee to study the eastern feed grain situation as soon as possible.

It was *agreed* that the Subcommittee Report be adopted as read.

Moved by Mr. Tardif, seconded by Mr. Southam,

Agreed:—That the Committee seek permission from the House to sit while the House is sitting when necessary to suit the convenience of witnesses.

Moved by Mr. Tardif, seconded by Mr. Pigeon,

Resolved:—That permission be sought from the House to print such papers and evidence as may be ordered by the Committee.

Moved by Mr. Olson, seconded by Mr. Kelly,

Resolved:—That the Committee print 750 copies in English and 250 copies in French of its Minutes of Proceedings and Evidence.

It was *agreed* that the Committee's quorum remain as (20) Members.

The Chairman introduced the witnesses and Dr. Anderson made a statement in regard to the tobacco industry.

The Committee proceeded to the questioning of the witnesses.

It was *agreed* that Dr. Anderson include in his evidence a list of Department of Agriculture Personnel engaged in Tobacco Research.

At 10:45 a.m. the Committee adjourned to the call of the Chair.

D. E. Levesque,
Clerk of the Committee.

EVIDENCE

THURSDAY, May 28, 1964.

The CHAIRMAN: Gentlemen, we have a quorum and, if we may, we now will proceed with the second meeting of this committee during this session.

There are a few procedural matters that I would like to have dealt with first, if I could have your indulgence for a minute, before we come to the reference before us. These are matters which Mr. Levesque tells me we properly might deal with at this time.

The first matter is the report of the meeting of the subcommittee, which met on May 21, and I would ask Mr. Levesque to read the minutes.

The CLERK OF THE COMMITTEE: (*See Minutes of Proceedings*)

The CHAIRMAN: Thank you, Mr. Levesque.

Gentlemen, you have heard the minutes of the subcommittee meeting; is it agreed these minutes be adopted?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: I wonder if we now could have a motion to print such papers and evidence as may be ordered by the committee.

Mr. TARDIF: I so move.

Mr. PIGEON: I second the motion.

Motion agreed to.

The CHAIRMAN: At the last session this committee printed 750 copies of the proceedings in English and 250 copies in French.

Mr. Levesque tells me these numbers were found to be sufficient for our purposes.

May we have a motion that this committee print these proceedings and, if you so agree, I would like the number indicated. As I said, it was found that 750 copies in English and 250 in French were sufficient.

Mr. OLSON: I so move.

Mr. KELLY: I second the motion.

Motion agreed to.

The CHAIRMAN: We also should consider the matter of a motion that this committee sit while the house is in session.

Mr. TARDIF: I so move.

Mr. SOUTHAM: I second the motion.

The CHAIRMAN: The motion is that this committee may sit while the house is in session. Is that agreeable?

Mr. PIGEON: Mr. Chairman, some members of this committee are also on the privileges and elections committee and if we had this committee sitting at the same time as the other it would cause embarrassment to some of the members.

Mr. OLSON: Mr. Chairman, should not the motion read that we ask the house for permission to sit while we are in session.

The CHAIRMAN: Yes; of course, all these will be requests to the house.

Mr. Levesque reminds me that in the last session of parliament the motion read that this committee may sit while the house is in session to suit the con-

veniences of witnesses. Would you like the motion to read the same way this time? Mr. Tardif, you moved this motion and, as I say, the clerk has reminded me that in the last session the motion was worded that this committee have leave to sit while the house is in session to suit the convenience of witnesses, when they are here.

Mr. TARDIF: Do you mean to suit the convenience of witnesses who could not be here otherwise during the session?

The CHAIRMAN: No. I think the meaning of that is that we do not as a normal procedure sit while the house is sitting and only do it if it is necessary through circumstances.

Mr. TARDIF: It is all right with me if it is worded that way.

The CHAIRMAN: Is that agreeable to the members of the committee?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: Before we leave the procedural matters perhaps we should give some attention to the matter of our quorum. In the last session we did not reduce our quorum or ask that it be reduced below 20. What is your pleasure, gentlemen?

Mr. CARDIFF: What was it last year?

The CHAIRMAN: Twenty.

Mr. PIGEON: I think we should leave the quorum the same.

The CHAIRMAN: Is it agreed that we shall not ask that the quorum be reduced?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: I want to mention one or two more things.

Mr. Levesque read the minutes of the subcommittee meeting and mentioned the subcommittee had decided to ask the house for an order of reference so that this committee might return as quickly as possible to the feed grain situation. We have been in touch with the minister in this regard and I am hoping that we may receive this order before too long so that when we conclude our study in respect of the matter which is now before us we may be able to revert and conclude the study of eastern feed grains which was started in the last session.

Perhaps members of the committee will recall that the Minister of Agriculture mentioned in the house on Tuesday that it was his hope this committee might make a tour of Canada to study agriculture in the various areas. If this materializes as the minister suggested, we then, I think, will be in a position to get more first hand information relative to the matter of eastern feed grains which may be helpful to us in concluding that study.

I would like to remind the members of the committee of the wishes of the subcommittee, that they should refer to us their requests for witnesses in respect of this tobacco matter. I know Mr. Pigeon has a suggestion to make. I would ask you to please notify Mr. Levesque immediately after this meeting if at all possible and give him the names of any witnesses or organizations that you feel should be called before the committee.

Moving on now, may I just read again the order of reference so that we will have it in our minds. This is the reference with which we are concerned this morning and will be concerned with until we finish this study. The order of reference reads as follows:

That, in order to ensure the continuance of the vital part being played by the tobacco industry in the economy of this nation, the standing committee on agriculture and colonization be empowered to review the research and experimental facilities now provided to the production and processing of tobacco in this country and to recommend such measures

as may be expedient to promote and assist in the production of Canadian tobacco.

We are very pleased to have this morning two witnesses, Dr. Anderson and Dr. MacRae.

Dr. Anderson has been kind enough to prepare a sheet showing the personnel engaged in tobacco research and I think all members of the committee have this before them.

Is it agreed that this sheet entitled Canada Department of Agriculture, research branch, personnel engaged in tobacco research, form part of the proceedings of this committee?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: The personnel follows:

CANADIAN DEPARTMENT OF AGRICULTURE
RESEARCH BRANCH

Personnel Engaged in Tobacco Research

N. A. MacRae	Ph.D.	Research Coordinator (Tobacco)
<i>Delhi</i>		
L. S. Vickery	M.S.	Superintendent
J. M. Elliot	M.S.A.	Soils
E. K. Walker	M.Sc.	Agronomy
B. Povilaitis	Ph.D.	Genetics
T. T. Lee	Ph.D.	Physiology
F. H. White	M.Sc.	Genetics
Vacant	—	Physiology, (New Position)
<i>Harrow</i>		
R. J. Haslam	B.S.A.	Head, Tobacco Section—Plant Breeding
W. A. Scott	B.S.A.	Agronomy
<i>Chatham</i>		
J. A. Begg	M.Sc.	Entomology
<i>Vineland</i>		
W. B. Mountain	Ph.D.	Director, Nematology (part time)
T. H. A. Oltoff	Ph.D.	Pathology—Nematology
<i>L'Assomption</i>		
J. J. Richard	M.Sc.	Superintendent (part time)
P. P. Lukosevicius	Ph.D.	Plant Breeding—Genetics
J. Allard	B.S.A.	Agronomy
Vacant	—	Biochemistry
<i>Fredericton</i>		
E. A. Grant	M.S.	Agronomy (part time)
J. E. Comeau	M.S.	Agronomy " "
<i>Charlottetown</i>		
K. E. LeLacheur	B.Sc.(Agri)	Agronomy

Gentlemen, the resolution we have before us is sponsored by Mr. Roxburgh and before calling the witnesses I think we should give Mr. Roxburgh an opportunity to speak to us, after which we will proceed with the witnesses.

Mr. ROXBURGH: Thank you, Mr. Chairman. I will be very brief.

Both yourself, Mr. Chairman, and Mr. Levesque, have covered the motion thoroughly. I think everyone here realizes the nature of it. The purpose is to ask the government, in plain language, to put aside some money in respect of further research, experimentation, processing and production of tobacco.

Just to start the ball rolling I would like to say very briefly that it has been my privilege to have spent considerable time on different occasions at the experimental farm in Delhi, Ontario which, as you will notice, is the largest growing tobacco area. There is the Harrow area, and there is some work being done in l'Assomption. In respect of the other areas I am not sure of the amount of work being done. However, having spent some time in the Delhi area I can tell you that over the last number of years when the estimates have been prepared by the different governments in power little or nothing has been set aside for experimental work in this or other areas. They have been bypassed. We are in very keen competition with Rhodesia. Rhodesia started their tobacco after we did. In fact, it was the Delhi experimental farm that started Rhodesia on her way and gave the industry their exceptional help. Today they have practically five times the number of men working on that experimental farm, from scientists right down, that we have. Also, as I mentioned before, they are doing a terrific job in the selling of tobacco, with the result that they now are well ahead of Canada, not only in tobacco production, but especially in export sales.

I have also found out that the Delhi experimental station did not have enough money to run off and carry out their experiments. They had to go to a tobacco firm to obtain help in carrying out their experiments. They also had to go to a tobacco firm to obtain help to pay their ordinary labour; that is, the tobacco firm was responsible for an extra man or two for the summer, because there was not enough in the pot, so to speak, to carry this out.

I would like to bring to the attention of this group the fact that the experimental farms in tobacco need more money for research, and considerably more money for research, if we are to get anywhere. We all know what the tobacco business means to the economy of the country.

While I am on my feet, I think I would only be just if I said that the mover of any motion which comes in here is a very fortunate man. This can be done only with the backing and support of all parties in the House. I do want to extend to the opposition, in particular, and my own group who support me in this, my thanks, because I think you have at least done something, or at least have made a beginning towards doing something for the tobacco industry. Thank you very much. Thank you, Mr. Chairman, for the opportunity.

The CHAIRMAN: Thank you, Mr. Roxburgh.

We have an important part of the tobacco industry in the province of Quebec, and I believe Mr. Pigeon wishes to say a few words at this time.

Mr. PIGEON: I would like to address some questions later.

The CHAIRMAN: Thank you.

May I introduce to the committee Dr. J.A. Anderson, director general of research of the research branch of the Department of Agriculture who is with us this morning, and Dr. Norman MacRae, associate director (tobacco) of the Department of Agriculture. As I mentioned, Dr. Anderson has been good enough to supply us with a chart showing a breakdown of the personnel engaged in tobacco research.

I think the committee now might like to hear a statement from Dr. Anderson, and then move into the examination of the witnesses.

Dr. J. A. ANDERSON (*Director General of Research, Department of Agriculture*): Mr. Chairman and gentlemen, I think it might be most useful if

I endeavour to put our tobacco research in context with the problem which faces us in the research branch. With the exception of three major crops and a few minor ones, we grow in Canada all the crops that are grown in the United States, and produce all the types of animals. The major exceptions would be cotton, peanuts and citrus fruit. Accordingly, in Canada we are faced with an agricultural research problem that is essentially equivalent to the agricultural research problem that faces the United States. We have all the crops, all the diseases, all the pests, and all the problems of soils, and superimposed on this we have a more rigorous climate which gives added difficulties to our farming operations.

We are possibly doing something in the order of less than one twentieth of the work in this country that is done in the United States. We have 39 research stations and experimental farms across Canada, and, mainly at Ottawa, nine institutes and three research services, making a total of 51 establishments. The staff amounts to something like 3,300 in total, of which 830 odd are professional trained scientists. With this staff and these establishments and a budget which is running at about \$24,600,000 for operation and maintenance, we have to cover all of the problems which face the farmers of this country.

You can see that we cannot do everything. You can see that we must depend in great measure on research done elsewhere throughout the world, particularly the research done by our neighbours to the south who in many cases have problems similar to ours. This is true with regard to tobacco; it is true with regard to wheat; it is true in every crop you care to name; it is true in our animal science, and in every other area that we cover. We simply do not have the resources in Canada to tackle all of the problems which face the farmers in this country.

Of the professional staff available to me in the research branch—this is professional staff only (trained scientists)—I have 505 on plants, 99 on animals, 96 on soils and 67 in general areas which are hard to apportion to those three.

In order to give you some idea of the scope of our organization, I would like to give you a little breakdown of the 505 who are engaged in research of crops. There are 91 dealing with the problem of cereals, 78 dealing with our forage crops, 56 dealing with vegetables of all kinds—the full range of vegetables that we grow; there are 84 dealing with fruits of all kinds—tree fruits, small fruits, strawberries, blueberries, and everything. There are 27 dealing with potatoes—a major crop. On trees and ornamentals we have 22, and on special crops, including tobacco, we have 39. In addition, we have 108 who are working on general problems that affect a number of different classes of crops, whom it is difficult to apportion to the ones I have named. The main area of work in which they are engaged—and this gives you a cross breakdown of the staff—on evaluations of varieties and the like, 38; breeding, 63; genetics, 27; nutrition and physiology, 44; management, 44; entomology with regard to the pests with which we have to deal, 117; food technology and microbiology, 24; botany and mycology, 40; weeds, 21; and pathology and nematology, 86.

Again, gentlemen, one would have to go into this in much greater detail in order to give you a complete picture of how our manpower is distributed. I could, of course, easily break down the work in animal science, soils or other phases. But let us stick to crops. From these double resources of moneys and manpower which are allocated to us each year by parliament we must do our best to cover the whole field of agriculture research in Canada with the assistance of the universities and agricultural colleges and, in a measure, of the provincial departments of agriculture. As a matter of fact in any research and development the contributions made by the provincial authorities are by far the greatest in Ontario. They are quite small in the west and the Atlantic provinces, but they are growing substantially in Quebec.

The Canada Department of Agriculture carries the major load of agricultural research in this country. I think I can say that if you ask any expert on my staff whether we are providing enough money and facilities for the particular problem that he is dealing with, he will say no. This is characteristic of all research men. The better the research man, the more ideas he has on how to tackle problems that come within his responsibility, and the more convinced he is that you could apportion more of your resources to his particular area.

You will see from the statement we have put before you that we have a fairly limited number of research men dealing directly with tobacco. We feel, on the whole, that the proportion of our resources of manpower and money that we devote to tobacco is about right. At the moment we are contemplating adding one professional man in this field and we shall probably be adding two or three supporting staff. This seems to us to represent all we should be attempting to do at the present time.

If we divide tobacco research into broad areas we would have to consider first the breeding of new varieties. In this area we think we are doing moderately well. We are depending here, as in many other areas—I mentioned wheat before—on the help we get from the United States, because in all of our crops we introduce tested varieties produced in the United States. If they are adequate to our purposes and superior to other varieties that may be available, we have no hesitation in introducing them. We will introduce into Canada and test varieties coming from any part of the world. We have recently introduced a very good sunflower variety from the U.S.S.R. In the field of tobacco we feel that we are not doing too badly.

In the area of pathology, that is protection of the various types of tobacco from the diseases that affect them, we may be having perhaps a slight temporary difficulty, but we do believe that we have been looking after the diseases moderately well.

In agronomy and management I think the Delhi station is doing a good job on the whole. In the area of mechanization, which of course comes to the fore in this as in many other crops, I suspect that the total operation in Canada is a little on the weak side. We would expect industry relating to tobacco, as industry relating to any other area in which we are engaged, to give us a good deal of help. And industry does undertake a great deal of research in this country and elsewhere, particularly in the United States.

There is a slight tendency, as in most industries, towards full secrecy so that one does not always get the final result of their research, and it is a little difficult to keep up to date with the progress they are making. But again we cannot expect to do everything ourselves, and we certainly expect to make the best possible use of the research that we learn about that is undertaken by industry.

Curiously enough in tobacco, although not in many other crops, the province is doing essentially no research. There seems to have been a sort of agreement lasting over a good many years now that the Canada Department of Agriculture would carry the tobacco research, and that the province would stay out of this field. Whether this is wise or not I hardly know.

The province is doing a great deal of work on forage crops, particularly corn. It is doing work on fruit; it is doing a great deal of work on soil, and at Guelph there is one of the finest engineering groups in Canada. One would think possibly that if other studies of mechanization may be required these perhaps could be centred there.

Now, gentlemen, I am not an expert on tobacco. I have smoked tobacco for many years. I smoke too much, but in relation to the problems of tobacco my knowledge is general and I would not claim to be an expert at all. However, you will have experts from our staff and elsewhere appearing before you.

But the area which I feel I must take the responsibility for is an attempt to present a general picture of how tobacco research fits into the over-all problem and programming of research for the country as a whole, including the enormous amount of work that we must do with our cereals, our forage crops, and our horticultural crops including all vegetables and fruits.

I feel that tobacco is only one part of this operation and that our responsibility spreads over the whole area, including of course the animal sciences as well as the science of the protection of crops, and the protection of animals which is undertaken by our branch, and by the animal diseases research institute of the Canada Department of Agriculture. With that, Mr. Chairman, perhaps I might now await questions.

The CHAIRMAN: Thank you very much Dr. Anderson.

We have Dr. MacRae with us now but he has indicated that perhaps he could help with the answers to questions.

I think perhaps we might now move to our examination of the witnesses. Mr. Pigeon has indicated he wants to ask some questions.

Mr. PIGEON: Mr. Chairman, let me first say that I support the remarks placed before this committee by the member for Norfolk, and I think it is very important for the government to increase the budget in respect of research specifically relating to tobacco. I should like to ask what the budget is now in respect of research for tobacco only?

Mr. ANDERSON: The budget in respect of operation and maintenance is roughly of the order of \$375,000 per year.

Mr. PIGEON: How many men with Ph.D's do you have working on tobacco research?

Mr. ANDERSON: There are four and one other doing part time work.

Mr. PIGEON: How many employees do you have with master's degrees?

Mr. ANDERSON: We have eight including three who are doing part time work.

Mr. PIGEON: How many specialists such as agronomists do you have in your different sections concerned with tobacco?

Mr. ANDERSON: I think all of the people we have listed here are specialists in some area or discipline relating to tobacco. There is a Dr. Oltoff at Vineland who has just moved into this field and who is trained in pathology and nematology. Within a year or two he will accumulate experience in the tobacco area. The rest have all been working in this field for some years.

Mr. PIGEON: Do you feel that you need more men with Ph.D's, master's degrees or specialists in research in respect of tobacco?

Mr. ANDERSON: Over the years the percentage of Ph.D's in the research branch has been increasing. While this is a research staff, out of a total professional staff of 864 in the research branch as a whole, 460 have Ph.D's or the equivalent; 265 have master's degrees and 139 have bachelor degrees or the equivalent. This ratio has been changing particularly over the last 10 or 12 years with an increasing number of men with Ph.D's.

Mr. PIGEON: Is the department faced with a problem concerning men with Ph.D's, master's degrees preferring to work in the United States because by comparison their salaries here are not high enough? I understand this is a problem in respect of many specialists who prefer to work in the United States.

Mr. ANDERSON: One really cannot generalize about salaries in the United States because they differ considerably from state to state. I do not think that any state can compete with California. California salaries, with the tremendous concentration of research work done out on the coast, are considerably higher. We, like everybody else I think, are not able to compete.

My feeling is that it takes a good deal more than a difference in salary to move a scientist from Canada to the United States or anywhere else, but scientists, because their activities are international, are probably the most movable of all professionals. A lawyer may have to work in a given state or even in a given province but a scientist can practise anywhere in the world.

I think the tendency is for scientists to move if they feel that the place they are moving to will give them greater opportunity to do research. This may result from additional staff or better facilities, better equipment, better libraries and many other things. We do lose a few men to the United States but we also occasionally recruit a man from the United States. We certainly recruit from other countries of the world. This movement of scientists is not all against us.

Mr. PIGEON: In the last ten years have you any idea how many specialists in respect of the tobacco research field have quit their jobs here in preference to jobs in the United States?

Mr. ANDERSON: In the last ten years I do not think we have lost a single man to the United States from that tobacco research field.

Mr. PIGEON: How many experimental farms do you have throughout the country specializing in research in respect of tobacco?

Mr. ANDERSON: The experimental farm at Delhi is the main one, and there is a smaller station in Quebec at L'Assomption mainly dealing with tobacco. There is also some work in respect of tobacco being done at Harrow, but that work is in regard to burley tobacco rather than flue cured. We do have entomologists, pathologists and some agronomists at various other stations. In addition, do not forget that tobacco is supported by a great deal of general research that is undertaken by the department. For example, in respect of the wireworms and cutworms that attack tobacco and many other crops, work may be done in respect of these insects anywhere and it is applicable to this field. The same situation exists with supporting research that we may be doing on the classification of insects and the like. There are supporting services behind tobacco research as there is in respect of research of all crops.

Mr. PIGEON: What is the total budget for the Delhi and L'Assomption experimental farms?

Mr. ANDERSON: The total budget at Delhi is approximately \$180,000. That is the last figure I have. The figure is \$181,084 for 1962-63. I do not have the figures for the last fiscal year as yet.

Mr. PIGEON: What is the figure in respect of L'Assomption experimental farm?

Mr. ANDERSON: The figure in respect of L'Assomption experimental farm, which has a larger land area and was at that time doing a broader range of work, was \$231,000. Perhaps I should have given you the operation and maintenance figure. The operation and maintenance figure was \$280,000 for L'Assomption and \$164,000 at Delhi in 1962-63.

Mr. PIGEON: As you know, in the province of Quebec we produce cigar tobacco. At the experimental farm at L'Assomption have you a specialist in research in this line?

Mr. ANDERSON: We are doing part of the breeding at Delhi but we do have experts on cigar tobacco at L'Assomption; we have two. One of these is a relatively new man who was recruited quite recently.

Mr. PIGEON: There is publicity nowadays against consumption of tobacco—and I might say that you give a good example; you smoke tobacco, I see. Have you figures which show whether this publicity contributes to the decrease in the consumption of tobacco?

Mr. ANDERSON: That is outside my area of responsibility. I just do research.

Mr. ROXBURGH: Dr. Anderson, you gave us a figure of so many millions used for experimental farms across Canada, and you pointed out that only so much went into tobacco.

Do you not feel that there is a great deal of duplication of work carried out on experimental farms that could be abolished? Do you not feel that there is a great deal of duplication of work which should be brought into a central farm? For example, if there happened to be three or four experimental farms in Saskatchewan or Alberta, or wherever it may be, should the work done at those farms not be centralized in order to avoid duplication? I do know that there is a great deal of duplication could be avoided. If this duplication were avoided, then there would be extra money which could be put into further centralized experiments. What do you think?

Mr. ANDERSON: It depends upon the area of research. If you take Saskatchewan, for example—

Mr. ROXBURGH: I just used that as an example. It could be Ontario.

Mr. ANDERSON: I will use it as an example also. We have a station in Saskatoon which has a large forage crops unit, which has strong pathology and strong entomology units relating to the forages and cereals which are grown in that province. When one comes to deal with the management of soils, the management of crops and the evaluation of varieties, one must do one's work essentially in the area in which they are to be grown and in which the soils exist. That is to say, there are types of research that must be kept widespread.

I said that we have 39 stations and experimental farms across Canada outside Ottawa. We have in addition 346 off-site experiments where we have something of the order of two to seven acres of land being used for testing purposes.

Research, being a human endeavour, is not perfect. The research branch is a large operation. I think there is a small amount of duplication, but I do think it is very small.

Mr. ROXBURGH: What would you say in regard to livestock and feeding experiments, a case in which soil conditions mean very little.

Mr. ANDERSON: We are moving towards concentration of our livestock operations at a fewer number of points, and we have moved towards that situation over a number of years. Indeed, we are developing our major centre for research on animal problems on the green belt of Ottawa. It has been a very slow process; the problem of raising the money and getting it started has taken a long time. However, we shall further concentrate our animal work.

Mr. ROXBURGH: When you compare the tobacco crop and the contribution it makes to the economy of this country with other crops and the contribution those other crops make to the economy of the country do you not consider there is too small an amount of money spent on tobacco? Further, do you feel that a company should have to help experimental stations in their work, even to the extent of tearing out experiments which run into quite a few thousands of dollars? Do you feel that such a company should have to come in to help out with the hoeing? Do you honestly feel that tobacco is getting enough money, and its fair share of money, considering the number of people we have in experimental farms?

Mr. ANDERSON: My understanding is that some of the staff about whom you are speaking are brought in for training purposes.

At Delhi, I do not think we are depending upon industry for substantial help with our experimental work.

Mr. ROXBURGH: However, industry is paying money to the tune of about \$20,000 a year or more for work done by a certain company, work which is not being carried out by your experimental station.

Mr. ANDERSON: If industry in this country would take a greater responsibility in all areas for research relating to agriculture I would be more than pleased. This is the tradition, for instance, in the United Kingdom where they have various research associations which are normally supported about 50-50 by industry and government. I think this is a good thing. You are asking for a personal opinion, and I give you a personal opinion.

Mr. ROXBURGH: That is very fine, but does that situation not put the government on the spot I will agree that if a company were to do something for you and carry it out themselves completely, that would be good; but when they have to take the experiments from the farm itself and help to finish them, that is a different thing. That situation is putting the government or the experimental farm on the spot. When that has to be done, it is obvious that there is insufficient money. Do you honestly feel that the experimental farms are receiving sufficient money to carry on the experiments that are necessary?

Mr. ANDERSON: I cannot answer that without giving the context. If you will reword the question and say, "Do you feel the percentage of your manpower and finances devoted to tobacco is about right, having regard to the problems of all other crops, animals, soil problems and the like in Canada?" honestly, sir, I would have to say that it is about right. I told you that I intend to add one man—and this, you say, is a very small increase. I intend to add one professional man; the vacancy is shown here. I also hope to add about three sub-professionals to the station at Delhi.

However, the answer is that this is an extremely difficult area. I have the good fortune of having a very able and experienced senior executive staff in Ottawa. We have just finished a complete review of our program from coast to coast. We think we know where the main weaknesses are and we do not think that they are in tobacco research at the moment. One of the main weaknesses at the moment is certainly in the area of pesticide residues.

Mr. ROXBURGH: Let us take Rhodesia as an example. Would you say that Rhodesia does not have agricultural problems other than tobacco? Would you not say that Rhodesia has problems regarding stock, grain crops and other things? In spite of their other problems they have felt that tobacco was so important that they have walked right away from us. They have not only walked away in production but they have walked away with the export markets which were ours at one time. They have done this because they have put trained people on their staff to look after this problem. If it is so important to them, surely it is as important to this country; after all, it is a \$100 million business.

Mr. ANDERSON: I do not think it is reasonable for you to expect me to answer a question that relates to the economy of Rhodesia, and I do not think you can expect me to say whether or not it is wise for them to do this, that or the other thing. I have been in about 30 countries in this world but Rhodesia is not one of them.

Mr. ROXBURGH: I have another question or two. You were talking about breeding and experimental stations. We all realize that they work together and that it is the only way to do it. But when you mentioned other crops a moment ago you brought in soil conditions which may differ within any given area. There is also a difference in the climatic conditions. We need possibly a tobacco leaf that will come in a little earlier, in a shorter period of time. I know they are working on it, but can you give me any information regarding it?

Mr. ANDERSON: Of course, earliness is something we have had to seek in all our crops in Canada. The general situation is that if you are seeking earlier

varieties, you have to sacrifice something. This is general in most of our crops, and I fear it is the same sort of problem in tobacco. But we are striving towards development of earlier varieties and the maintenance of yield and quality. It is a very difficult area but one in which we are having a little success. I am thinking particularly of the work undertaken by Mr. Vickery himself relating to seedlings and the problem of getting them planted a week or so earlier. This gives you an advantage in the maturing of your crops. It is not an easy area.

Mr. LAMB: Mr. Chairman, do you not think that we are getting away from the point altogether in our meeting today when two men have done all the talking while there are 25 to 30 others present? I notice that many are leaving. Soon we will not have a quorum. Should not everyone have an opportunity to ask a few questions?

Mr. ROXBURGH: You will have your chance. We are not getting away from the subject.

Mr. LAMB: But I think we are.

The CHAIRMAN: There is little purpose in asking a member to conclude his questioning for the sake of brevity. I think he has to work out his questions in the way he feels best. I know that the members will do so as briefly and as expeditiously as possible. In this study we have to keep in mind the terms of reference. I think that Mr. Roxburgh's questions have been related to research in the sense that research is of course important to the area that Mr. Roxburgh has mentioned. So I think that if the committee members will co-operate, we will move along as quickly as we can.

Have you any more questions, Mr. Roxburgh?

Mr. ROXBURGH: Not at this time.

The CHAIRMAN: Mr. Danforth?

Mr. DANFORTH: I do not think we have a quorum now.

Mr. OLSON: Let us not look around.

Mr. LAMB: A lot of people want to ask questions.

Mr. HORNER (*Acadia*): If we have no quorum, then we are out of business. Those are the facts of life.

The CHAIRMAN: The clerk advises me that we have no quorum. I think there is a caucus on. I am advised by Mr. Pigeon this morning that there is a caucus on, and I think it may explain why many members have had to leave.

Mr. PIGEON: The public accounts committee is sitting this morning, too.

The CHAIRMAN: How many are there here?

The CLERK: Eighteen.

Mr. OLSON: Let us carry on.

Mr. HORNER (*Acadia*): You cannot carry on without a quorum.

The CHAIRMAN: I think the position is this: I have been advised by the clerk that we have no quorum and that we cannot carry on.

Mr. MULLALLY: May we not recess for a couple of minutes and perhaps some more members will come down?

The CHAIRMAN: Perhaps we can do that. We need to get two more members.

Mr. WATSON (*Assiniboia*): You will have to get three. I am leaving also.

Mr. HORNER (*Acadia*): You will have to get four. I am leaving, too.

Mr. DANFORTH: We are in a difficult position.

The CHAIRMAN: I appreciate it.

Mr. MULLALLY: The Conservative party is holding a caucus. I think we should adjourn rather than say we have not got a quorum.

Mr. McBAIN: Can the witnesses not return, Mr. Chairman?

The CHAIRMAN: Dr. Anderson will not be able to come back, but Dr. MacRae can be with us for our next meeting. I think it is unfortunate that we have run into a caucus this morning which requires the attendance of many of our members. I do not know if we are able to do this in view of the fact that I have been advised that we have no quorum, but I wonder if we could agree to adjourn now with the next meeting to be decided upon by the steering committee?

Mr. MULLALLY: I move that the meeting adjourn and that the next meeting be at the call of the Chair upon the advice of the steering committee.

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HOUSE OF COMMONS
Second Session—Twenty-sixth Parliament
1964

STANDING COMMITTEE

ON

Agriculture and Colonization

Chairman: RUSSELL C. HONEY, *Esq.*

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 2

Respecting
PRODUCTION AND PROCESSING OF TOBACCO

THURSDAY, JUNE 11, 1964

WITNESSES

From the Department of Agriculture: Dr. Norman A. MacRae, Research Coordinator (Tobacco), and Mr. L. S. Vickery, Superintendent, Experimental Station, Delhi, Ontario.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1964

STANDING COMMITTEE
ON
AGRICULTURE AND COLONIZATION

(Chairman:) RUSSELL C. HONEY, Esq.

(Vice-Chairman:) PATRICK T. ASSELIN, Esq.

and Messrs.

Alkenbrack,
Armstrong,
Asselin (*Richmond-
Wolfe*),
Barnett,
Béchar, d,
Beer,
Berger,
Brown,
Cadieu (*Meadow Lake*),
Cardiff,
Choquette,
Crossman,
Cyr,
Danforth,
Dionne,
Doucett,
Drouin,
Émard,
Éthier,
Forbes,
Forest,

Forgie,
Gauthier,
Gendron,
Groos,
Gundlock,
Honey,
Horner (*Acadia*),
Horner (*The Battle-
fords*),
Howe (*Wellington-
Huron*),
Jorgenson,
Kelly,
Konantz (*Mrs*),
Lamb,
Langlois,
Laverdière,
Lessard (*Lac-Saint-
Jean*),
Madill,
Mather,
Matte,

McBain,
Moore (*Wetaskiwin*),
Mullally,
Nasserden,
Noble,
O'Keefe,
Olson,
Peters,
Pigeon,
Rapp,
Ricard,
Rochon,
Roxburgh,
Southam,
Tardif,
Temple,
Vincent,
Watson (*Assiniboia*),
Watson (*Châteauguay-
Huntingdon-Laprairie*)
Whelan—60

(Quorum 20)

D. E. Levesque,
Clerk of the Committee.

ORDER OF REFERENCE

FRIDAY, May 29, 1964.

Ordered, That the Standing Committee on Agriculture and Colonization be empowered to print such papers and evidence as may be ordered by the Committee, and that Standing Order 66 be suspended in relation thereto; and that it be granted leave to sit while the House is sitting when necessary to suit the convenience of witnesses.

Attest.

LÉON-J. RAYMOND,
Clerk of the House.

MINUTES OF PROCEEDINGS

THURSDAY, June 11, 1964.

(3)

The Standing Committee on Agriculture and Colonization met this day at 10.10 o'clock a.m. The Chairman, Mr. Russell C. Honey, presided.

Members present: Messrs. Alkenbrack, Béchard, Beer, Brown, Choquette, Crossman, Danforth, Doucett, Gendron, Honey, Horner (*Acadia*), Howe (*Wellington-Huron*), Lamb, Laverdière, Madill, Matte, McBain, Moore, Mullally, Noble, O'Keefe, Pigeon, Roxburgh, Watson (*Assiniboia*), Whelan—(25).

The Chairman asked the Clerk to read the Report of the Subcommittee meetings. The Clerk reading:

SECOND REPORT OF SUBCOMMITTEE

THURSDAY, May 28, 1964.

The Subcommittee of the Standing Committee on Agriculture and Colonization met this day at 10.45 o'clock a.m. The Chairman, Mr. Russell C. Honey, presided.

Members present: Messrs. Honey, Danforth, Peters, Olson and Mullally—(5).

The discussion was on the Agenda and Procedure.

It was decided that the meeting adjourn to this afternoon and that Mr. Roxburgh be invited to attend.

AFTERNOON MEETING

The Subcommittee reconvened at 4.00 o'clock p.m. in Room 16 of the House of Commons. The Chairman, Mr. Russell C. Honey, presided.

Members present: Messrs. Honey, Mullally, Danforth and Olson—(4).

Mr. Roxburgh, the sponsor of the resolution was also present.

The Committee discussed the Order of Reference.

It was agreed that the next witnesses to appear before the Committee would be:

Dr. Norman A. MacRae,
Research Co-ordinator (Tobacco),
Department of Agriculture.

Mr. L. S. Vickery, Superintendent,
Experimental Station,
Department of Agriculture,
Delhi, Ontario.

The Committee decided to invite representatives of the Ontario Flue-cured Tobacco Growers' Marketing Board, the Burley Tobacco Marketing Association of Ontario and the Black Tobacco growers group to appear before the Committee.

At 5.00 o'clock p.m. the Subcommittee adjourned.

It was *agreed* that the Report of the Subcommittee be adopted as read.

The Chairman introduced the witnesses and Dr. MacRae made a statement in regard to Tobacco Research.

Mr. Vickery made a brief review of his association with the Tobacco Industry.

It was *agreed* that a statement produced by Mr. Vickery and entitled "Tobacco Research Programme" be appended to the evidence. (*See appendix "A"*)

The Committee proceeded to the questioning of the witnesses.

The examination of the witnesses being concluded, the Chairman thanked Dr. MacRae and Mr. Vickery.

At 12.10 o'clock p.m. the Committee adjourned to Thursday, June 18, 1964.

D. E. Levesque,
Clerk of the Committee.

Note—The evidence, adduced in French and translated into English, printed in this Issue, was recorded by an electronic recording apparatus, pursuant to a recommendation contained in the Seventh Report of the Special Committee on Procedure and Organization, presented and concurred in, on May 20, 1964.

EVIDENCE

THURSDAY, June 11, 1964.

(Text)

The CHAIRMAN: Order. We have a quorum. I thank everyone for his patience in waiting until we are able to proceed this morning. The first item which, with your permission, I would like to deal with, is to ask the clerk of the committee to read the second report of the subcommittee.

The Clerk read the report of the subcommittee.

(See Minutes of Proceedings).

The CHAIRMAN: Thank you, Mr. Levesque. You have heard the minutes of the meeting of the subcommittee. Does this committee adopt those minutes? Is it agreed?

Agreed.

Now I would like to mention that for the first time we have in operation the electronic recording device to take down the proceedings of the committee. This will operate only in so far as French is concerned. It will be recorded electronically. This, as members know, is being done in accordance with the order of the house, made about two weeks ago, that this device be put into operation.

I would like to welcome this morning Dr. MacRae who was here with us at our last meeting but who unfortunately did not have an opportunity to make a statement; and also to welcome Mr. L. S. Vickery, superintendent of the experimental station at Delhi.

I shall first call upon Dr. MacRae and then upon Mr. Vickery to make brief statements to the committee particularly dealing with the sphere of their particular responsibilities in the matter of tobacco research. Now, Dr. MacRae.

Dr. NORMAN A. MACRAE (*Research Co-Ordinator (Tobacco), Department of Agriculture, Ottawa*): Gentlemen, by way of background information which might be helpful, I would just like to make a brief statement.

I joined the Department of Agriculture on May 15, 1930, in what was then known as the tobacco division of the experimental farm. According to the original terms of reference of the old Tobacco Branch which was established over 60 years ago, it was our responsibility to improve the quality of Canadian tobaccos, and to promote their use by domestic manufacturers as well as by manufacturers abroad.

The Harrow station was established in 1909; the L'Assomption station was established in 1928; the Delhi station or experimental farm was established in 1933; and the Lavaltrie substation was established some ten years ago.

I became chief of the tobacco division as it was then known on January 1, 1947, and since that time I have been responsible for the co-ordinating and supervising of our entire tobacco research program.

In the meantime I have made many visits to all the countries of western Europe. I visited all the manufacturers who might be potential customers of Canadian leaf, which were of any particularly consequence in the various countries visited. Some of those visits in the early days were sponsored by our

own department, and some, more recently, were sponsored by the Department of Trade and Commerce, to assist them or their officials abroad to contact and promote the use of Canadian tobacco. All of these visits have helped us immeasurably in our attempts to provide growers with information which would enable them to produce the types of leaf and the grades of leaf which our overseas customers would wish to purchase.

In the meantime, also, we have held among our own staff many meetings to discuss our research problems. Some 20 years ago, even less than that, we used to hold these staff meetings annually. As a result of many of these meetings we established what we called at that time group research committees. These are working committees. We had several of these group research committees. We had one some years ago on curing and the use of forced warm air heating. We had another one on the problems relating to the tobacco weather fleck. We still have one operating pertaining to an attempt to provide cigar manufacturers with a milder cigar leaf filler. This is still a very active committee.

Practically all of these committees involved a number of co-operating units. The Imperial Tobacco Company has played a great part on the three committees which I have just mentioned, and they have spent considerable sum of money, with us, in our programs relating to our attempt to devise and improve the method of curing flue-cured tobacco. They were heavily involved in our program relating to the cause and control of weather fleck, and they are still very much involved in the cigar filler program.

The Imperial Tobacco Company was the only company which co-operated with us in our research problems, and I might say it was their wish to do so. They have contributed generously, and we are most grateful to them for the assistance that they have given us.

Our research program is a comprehensive one. It embraces all the essential disciplines such as chemistry, physiology, genetics, pathology, entomology and so on. The work which we have done is well known throughout the world and it commands respect of a very high order.

As chairman last year of the Tobacco Chemists' Research Conference I was in a position to bring our meetings to Montreal. This was the first time this conference ever held meetings in Canada. At this conference which was held last September in Montreal we had probably about 150 chemists, highly competent, highly qualified chemists from the United States as well as chemists from some 20 other countries throughout the world.

What I have said has been offered in the hope that you will appreciate my responsibilities and my limitations, particularly my limitations, should I fail to provide you with adequate information in response to any questions you may submit. However, I do want you to know that your interest in our program is greatly appreciated. As a matter of fact, we appreciate any interest in our program, and I wish to commend this committee for its participation.

The CHAIRMAN: Thank you, Dr. MacRae. Now, I call on Mr. Vickery, who is superintendent of the experimental station at Delhi. Perhaps he might just briefly give us a statement of his responsibilities and sphere of duties.

Mr. L. S. VICKERY (*Superintendent, Experimental Station, Department of Agriculture, Delhi, Ontario*): Mr. Chairman and gentlemen; I first came to the experimental farm at Delhi in 1938 as a research officer. I have been there since that time except for three years during the war when I was in the services. I have been officer in charge of that station since 1949, and when the station was placed on its own as an experimental farm in 1962, I became its superintendent. My work therefore has been with flue-cured tobacco entirely except that I now have something to do with the growing and breeding of cigar tobacco.

I have made a number of trips to the United States, and I have participated in the Tobacco Workers' Conference that is held there every 18 months. I have also attended the tobacco chemists' conference, and also the cigar manufacturers' association meetings in Atlantic City.

I have twice been overseas. I was first overseas in 1955, when I attended the world tobacco congress in Paris; and I was again overseas last fall with the tobacco trade mission which visited several countries in Europe as well as the United Kingdom. I feel that my work has been very closely connected with tobacco. Therefore, I shall keep my statement mostly to the flue-cured tobacco field.

Today flue-cured tobacco growers are faced with many irritating problems in production, processing and marketing. In the future, the success of the tobacco industry in Canada shall largely depend on concentrated and coordinated research programs in the fields of production, marketing, manufacturing and health. For several years this industry has been quite successful but the margin of profit has narrowed, and production per acre has increased, resulting in over production without a significant increase in export markets. I feel that the expansion of markets is the responsibility of everyone connected with the tobacco industry including growers, federal and provincial governments, marketing boards, tobacco manufacturers, leaf buyers, scientists, bankers, manufacturers of materials for production, press, and broadcasting stations. Therefore research definitely plays a part in our production of flue-cured tobacco.

Research on production has been conducted in Canada for several years, the aim being to improve the quality of Canadian leaf and develop domestic and export markets. Because of research, extension, and the cooperation of growers and buying companies, Canada has succeeded in producing leaf of good aroma, flavor, filling power, texture, color and workable characteristics that generally meet the requirements of both export and domestic markets. Today, tobacco leaf is evaluated not only by color, texture and aroma but also by several laboratory tests such as filling power, burn, shatter, density, tensile strength, hygroscopicity, nicotine, nornicotine, nitrogen, sugars and smoke tars. These tests are common in most tobacco research laboratories for evaluating quality and comparing samples obtained from various flue-cured tobacco producing areas. We have raised our quality by improving or introducing new cultural practices, varieties, fertilizers, insecticides, nematocides and machinery. Present practices would still be suitable if the grower could receive a larger margin of profit. However, because of several problems still unsolved it is essential to conduct more research on tobacco to overcome the high cost of production and raise the quality so that we can compete on the world markets at lower prices. If we are not successful in accomplishing improved quality in our production and a reduction in price for the marginal tobaccos, it is quite possible that the Canadian tobacco grower will have to depend upon the domestic market to absorb his entire production. This is based on the fact that other countries are learning much more about tobacco production in the fields of chemistry, control of diseases and insects, cultural practices, varieties, physiology, curing and processing. Research goes hand in hand with the marketing of tobacco, much unlike most other crops.

The tobacco industry is also faced with medical indictment which may become more intense. It is imperative that research is essential in production, manufacture and health to determine whether tobacco is the causal agent of lung cancer. Considerable amount of laboratory research

shall be necessary. If tobacco is definitely found to be the cause of this disorder then it shall be necessary to find means of prevention which may fall back upon concentrated field and breeding investigations. At present the growers are faced with several serious problems namely weather fleck, grey tobacco, sucker growth, immunity to insecticides, high costs of harvesting, maturity, etc. Finding solutions to some of these problems would be most helpful to the Canadian flue-cured tobacco grower.

Gentlemen, I feel that a research program is very necessary in the production of flue-cured tobacco in Canada and I hope that we can do as much research as possible to satisfy the tobacco growers in various parts of the provinces that are growing tobacco.

The CHAIRMAN: Thank you, Mr. Vickery. Before we proceed to the questioning, might I say that Mr. Vickery has prepared a rather elaborate statement on the tobacco research program at Delhi. It consists of some 25 pages, I believe, and with the consent of the committee might I ask that it be filed as part of the proceedings of this meeting? Is it agreed?

Agreed.

(See Appendix "A".)

Mr. DANFORTH: I have a few questions more or less general in nature which I would like to ask of the doctor. They have to do with tobacco research. If I understood the doctor correctly he said that he had made various trips to different countries where tobacco was an important crop, and had visited the manufacturers of this crop in various countries. My first question is this: In your opinion, since you are very familiar with this field, how does the scope of our research work in tobacco compare with that in other countries? We have heard the claim that there were some countries which far exceeded our efforts in this regard. I would very much like to have your opinion, as one who is most familiar with this field, upon how Canadian research in the tobacco industry compares with that carried on in other countries?

Mr. MACRAE: With respect to comparison with most other countries I would say that our effort is a rather modest one.

Mr. DANFORTH: Do you mean modest in the scope or number of men employed, or modest in the accomplishment of our research effort, or modest in the amount of money allocated towards it?

Mr. MACRAE: I mean modest in respect of the amount of money allocated, and modest with respect to the number on our staff.

Mr. DANFORTH: To follow it just a bit further; in your travels were you able to ascertain whether the research work being conducted in Canada was being carried on through money coming from the government, or through private money allocated from the manufacturers to carry on this work?

Mr. MACRAE: In many instances private money is allocated by manufacturers, and also by growers. In Rhodesia, for instance, much of the research program is provided through funds made available by growers.

Mr. DANFORTH: The industry itself, from the productive angle and from the manufacturing end, is subsidizing research in Rhodesia to a great extent?

Mr. MACRAE: It is being done mostly by private growers in Rhodesia.

Mr. DANFORTH: You say by the growers themselves?

Mr. MACRAE: Yes.

Mr. DANFORTH: Another question is this. It may not be a fair question, and I do not want to pin you down on it, but you are working with overseas research in agriculture, and with tobacco companies and your own specialists. Now, with respect to the provision of government funds, would you say that your particular branch is receiving a fair share of the allocation for research

in the general field of agriculture? I do not want to put you on the spot, because I know that every man who is trying to conduct a department is trying to do his level best, and that everyone wants more money. I appreciate this. But you, being the head of a department, would nevertheless have some knowledge of the over-all research in agriculture.

Mr. MACRAE: Quite frankly I must admit that I think the funds now provided are inadequate.

Mr. DANFORTH: You say inadequate. That is fair. I take it from your answer that, if there was more money allocated either through industry, or through government, or through the growers, the advancement of this research could be more rapid. Is that a fair assertion?

Mr. MACRAE: That is quite a fair statement, Mr. Danforth. But there is one difficulty which I hope is only temporary, and it is that even if we had ten positions available today with the authority to fill them we would have difficulty in filling more than one or two of them.

Mr. DANFORTH: So actually the availability of personnel of a highly skilled nature could be a limiting factor to some degree, or perhaps more so than the allocation of funds?

Mr. MACRAE: We would require funds in the first instance; but even if funds were available and, the positions authorized I think we would have difficulty filling very many positions right now.

Mr. DANFORTH: I have one more question, then I am finished. I am familiar with the record of research in tobacco which has been accomplished world wide, and I believe it to be a remarkable record of achievement. My question is this. Has there been any major problem in the last few months, in your opinion, that has made it necessary for the allocation of more funds? In other words, tobacco problems are continually cropping up and are being met by research, and are being solved. It is a continuing process. For some problems, a short time is necessary, whereas others are long term processes. Has there been anything new in the last 18 months of such a magnitude that it would demand an allocation of special funds for this very purpose?

Mr. MACRAE: I do not know whether there has really been anything new in the past 18 months. We have had problems that have persisted for some time, and the most recent is probably the one relating to the occurrence of grey leaf tobacco in various areas. This is a problem which is commanding quite a lot of our attention at the present time, and we have been unable to account for it.

With the staff we have available today, in order to work on problems such as this we must remove them from other problems on which they were working and re-assign them to a problem such as this. The question of fleck has been with us for some nine years. The question of curing it is an old problem. There have not been any drastic changes in curing procedure throughout the centuries. We feel it is still very much of an art and we are doing a tremendous amount of work on curing at the Delhi experimental farm.

We have problems connected with the use of insecticides. We find insecticides that are applicable or effective one year may not be effective the next year. There are many such problems which confront us.

Mr. DANFORTH: These are continuing problems and I can appreciate your position on that.

I have one other question and then I will pass, sir. If you were allocated a substantial increase in funds for research purposes, would those funds be used in a field of research that is not being considered in Canada or in other countries? In other words, if there was an allocation of funds, would there be work done on a problem which is major to Canada, or would it simply be a duplication of work already being carried on in the other tobacco growing countries?

Mr. MACRAE: We do not feel that any of our work is a duplication of any work done elsewhere. The tobacco plant is probably the most temperamental of all plants and it responds violently to changes of all environmental conditions. Even the use of fertilizers here, for the same tobaccos, differs from the fertilizers used in tobacco areas in the south or in Rhodesia. So, what we have to do is make the best use of the environmental conditions that prevail in this country. Soil and climate are two very important factors. Even though work may have been done on the same project at both Delhi and Lavaltrie, the results may be very different because the soils are so very different. The difference between soils in Ontario and Quebec is considerable. They differ, for instance in reaction and organic matter, as well as in many other respects.

I do not know if I have answered your question properly or not.

Mr. DANFORTH: It seems to me there must be some duplication in the different countries. There must be some duplication in the work on tolerances of tobacco to certain insecticides. There must be duplication of work on the reaction to fertilizers and chemicals. There must be duplication in the field of curing tobacco, and there must be duplication in the fields of blending and manufacturing. It seems to me there must be a tremendous amount of duplication in the tobacco industries in the various countries.

Mr. MACRAE: If you look at the titles of our projects you might think that there are duplications. For instance, you mentioned the use of insecticides in the control of certain insects. What we are dealing with here and, we will say, in the Norfolk area is one population of insects. We are not dealing with the population of insects that bedevils the industry in Virginia or North Carolina; we are dealing with the population that we have here. We might also develop varieties that show resistance to black root rot, which is a common root rot disease, but the root rot organism that causes rot can vary. The strain varies between Ontario and Quebec. A black root variety that exists in North Carolina does not necessarily show resistance to our strains of the root rot organism.

Mr. DANFORTH: Thank you, doctor; you have answered my questions. I pass.

The CHAIRMAN: Mr. Whelan.

Mr. WHELAN: I would first like to compliment all the people who work on research in Canada, because I do not think most people in Canada realize that these are really a dedicated group of people who contribute more to the world in general than, probably, any other group of people and yet get less credit for it.

One of the things I would like to ask is whether, in the plant production in different countries, there are certain areas which, through your testing of the plants, you have found have less smoke tars and nicotines in them because, perhaps, of different types of soil?

Mr. MACRAE: That is true, Mr. Whelan. We have some here. We can produce varieties with low nicotine and we can produce varieties with no nicotine; and there is quite a difference in the tar content between many of our varieties.

Mr. WHELAN: You can produce varieties which contain no nicotine, but these are not used in the production of tobacco? Is this not true?

Mr. MACRAE: The reason they are not used is because cigarette smokers do not care for it. Therefore, manufacturers are not disposed to make them. They are not disposed to make something they cannot sell.

Mr. WHELAN: The so-called tars in tobacco, if I understand correctly, are what most people are worried about so far as damage to one's health is concerned. Is there a way in which one can test the tobacco after it is produced perhaps by leaf testing and such like, to find the concentration of tars in the tobacco?

Mr. MACRAE: Perhaps I should mention the fact that flavour and aroma in a cigarette or in a leaf are determined by the products of combustion. The products of combustion are determined by the chemical constituents in the leaf. The difference in the chemical constituents in the leaf account for all our various grades. Leaf tobacco is graded on the basis of its physical appearance, such as feel, body, colour, texture and so on. But the difference between these grades are due to the difference in the chemical constituents. The difference in chemical constituents determines the difference in the products of combustion, which in turn determine flavour and aroma of the leaf. You can taste an apple or a tomato by putting your teeth into it, but you cannot get the flavour or taste of tobacco by doing that.

I think it is a misconception that the tars affect health. Tars as such do not enter the smoke stream. If you light a cigarette—and you can see Mr. Pigeon's cigarette burning there, there are between 200 and 300 identifiable constituents in that little bit of smoke that is rising from the cigarette. There are no tars in that. There is a certain amount of nicotine, however, entering the smoke stream.

Mr. WHELAN: There is one thing about which I have heard complaints from growers. They have summarized it by saying that the stems are used in the production of tobacco, which was not a common practice in Canada a few years ago. I guess it is common practice in most production areas now. Is there a heavier concentration of tars in the stem than there is in the leaf itself?

Mr. MACRAE: No.

Mr. WHELAN: There is not?

Mr. MACRAE: No, as a matter of fact there is less nicotine in the stem.

Mr. WHELAN: And less tars too?

Mr. VICKERY: When one is speaking of smoke tars, there is very little difference.

Mr. WHELAN: Mr. Danforth has asked this question but I would like to put it in a little different way. He has referred to the amount of money and I would like to refer to facilities. Do you feel you have the proper facilities in the research stations which you require for carrying out research in tobaccos?

Mr. MACRAE: We are somewhat cramped at Delhi.

Mr. WHELAN: In the food and drug committee last year I asked Dr. Anderson about leaf testing—we were speaking of leaf testing of things other than tobacco but including tobacco—and he said they were in dire need of extra facilities. Do you find it difficult to keep staff and to prevent them from going to the United States on account of pay, and things of that nature?

Mr. MACRAE: We have been rather fortunate throughout the years. We have not lost anyone.

Mr. WHELAN: In tobacco research?

Mr. MACRAE: In tobacco research. We have not lost anyone to the United States in, maybe, the past 30 years.

Mr. WHELAN: I fully realize that different soils, weather conditions, insects, and everything of that nature have a bearing on the production of tobacco. However, would all these ideas be exchanged, and if there were any benefits would you more or less experiment with all these ideas and decide which ones would be most useful to the production of tobacco in Canada? There is a free exchange in the world?

Mr. MACRAE: There is a very free exchange throughout the world. Mr. Vickery attends the Tobacco Workers' Conference, which meets every 18 months in the United States. This conference is a comprehensive one; it covers agronomy, engineering, physiology and similar subjects. The conference which I strive to attend is the Tobacco Chemists' Conference. This meets annually.

I quite regularly attend seminars of the cigar and manufacturers' association of America which meets almost every year in Atlantic City as well as World Tobacco Science Congresses.

Mr. WHELAN: Do you wish to express an opinion whether there are ingredients in tobacco that are harmful to health?

Mr. MACRAE: If there is, every tobacco scientist or chemist would like to know what it is.

Mr. WHELAN: Do you feel, then, that if there are harmful properties in tobacco which are damaging to health, we should be able to remove this hazard through proper research and through processing?

Mr. MACRAE: I do not feel that it is impossible.

Mr. NOBLE: Mr. Chairman, I am not very well informed on the tobacco industry; it is a new thing in my area. However, I would like to direct a few questions to Dr. MacRae. Perhaps some of these questions have been answered before, but nevertheless I would like to have his answers because I was not able to attend all the committee meetings.

I would like to know what country produces the best tobacco.

Mr. MACRAE: I would say that we do.

Mr. NOBLE: This does not add up to what Mr. Vickery said a while ago, then, because he stated that our production was going up but our export market was not gaining appreciably. I would think if we are producing the best tobacco we should be able to sell more tobacco abroad. We know there is a program afoot in Canada to discourage the use of tobacco in Canada, so it seems to me that our best hope for any encouragement of tobacco producers in this country is to try to secure better markets abroad. This is why I ask that question. If we have competitors who are producing better tobacco than we are producing, what can we do to get on top so we will have a better chance in the foreign market? It seems that is where it will be necessary for us to look in order to sell the extra tobacco we are producing, tobacco that is not going to be saleable in Canada.

Mr. MACRAE: I do not know whether we should get into this field or not.

The CHAIRMAN: I think this is a relevant and a proper question. If you will confine your answer, as I think Mr. Noble confined his question, to the field of research then I think it has an application to the discussion. I do not think we can go into matters of sales promotion, but if you confine your reply to the research aspect, then it will be in order.

Mr. MACRAE: There is a question of price, which is a very important factor—price as related to quality and quantity. Our overseas buyers of leaf have really no reason to come to Canada at all for their requirements. They can do without the Rhodesian tobaccos, too. They can probably do without the Indian tobaccos. They cannot do without the United States tobaccos because the United States tobacco industry is so large that practically all manufacturers could—if it were necessary for them to do so—procure their requirements from the United States. There is no tobacco grown in the northwestern part of Europe, no tobacco grown in England, Scotland or Ireland, and practically no tobacco grown in Sweden, Norway, Denmark or Holland, and not too much in Belgium. There are many countries in the world which must rely for the procurement of their requirements upon the tobacco producing countries.

It has taken us a long time to prevail upon the buyers of leaf that we have leaf here that could satisfy their requirements, and we must encourage them to come here, and we must provide them with a favourable atmosphere so they will feel that it is a good move on their part; and this we have been able to do fairly successfully.

Continuity of supply is an important factor. If a manufacturer uses Canadian leaf this year or any other year in his brands he is doing so at tremendous risk, because there is no one more fickle in their tastes than the consuming public, and their loyalty to any brand is not too strong. I shift from one brand to another quite frequently. All manufacturers hesitate to change their recipes and to change their sources of supply for tobacco which is going into an established brand. Some of the buyers in England have had bitter experience when they have bought large quantities of Canadian leaf throughout the years and then find that next year they are unable to buy it. They may put a new brand on to the market with a high content of Canadian leaf and spend a great deal of money in packaging material, publicity, and advertising, and then come back here the next year to buy a larger quantity and find that it is not available. There are factors such as these which enter into the question which you have just posed.

Mr. NOBLE: As I understand it—and some of the gentlemen in the tobacco areas would be able to enlighten me on this—it seems that we are producing a lot of different brands and grades. Why can we not make some effort to have our growers concentrate on a higher grade of tobacco that would be acceptable to the foreign markets and so enhance our chances of creating a better export market for this product?

Mr. MACRAE: This is the very thing we have been attempting to do throughout the years. We have been attempting to improve the quality of our leaf. I do not think there is any necessity for us to attempt to increase the yields to any greater extent at the present time. The 1963 crop of flue-cured averaged over 1,800 pounds per acre, which is a very high yield. There is tremendous scope for improvement in the quality of our leaf, and this is the major problem that is confronting us today.

Mr. NOBLE: There is one more question I would like to ask.

Are our soil, climate and methods adequate for the production of top quality tobacco which can compete in the world?

Mr. MACRAE: Up to a point I would say yes, we can produce a lot more tobacco than we are producing now, and I am sure if a favourable atmosphere were provided for our overseas buyers, particularly, we would export much more tobacco than we are now exporting.

Mr. NOBLE: Thank you.

The CHAIRMAN: Mr. Roxburgh.

Mr. ROXBURGH: Mr. Danforth brought up something about money and available men or manpower which made me wonder if it is not right—and I am addressing this to the doctor—that you did have a research group here in Ottawa working strictly on tobacco. Is that not right?

Mr. MACRAE: Until the time of reorganization of our branch in 1959 we had a tobacco division there and we had five qualified competent research officers.

Mr. ROXBURGH: When the reorganization took place what happened to these four or five men who were working on tobacco? Did they follow through, say, at Delhi or down in Quebec or at any of the other research places? What has happened?

Mr. MACRAE: Following the reorganization we were no longer set up on a commodity basis but rather on a discipline basis. Three of the former members of our staff went into the Plant Research Institute, one to Soils Institute, and one to the Plant Breeding and Genetics Institute. The one in plant breeding and genetics was there until two years ago when we transferred him to Delhi. He is now in Delhi. The three officers in the plant research institute are no longer working on tobacco. The one who went to the Soil Science Research Institute retired and was replaced by another research officer.

Mr. ROXBURGH: In other words, then, there was no use made of their knowledge on tobacco when that change of plan took place? They were put into something else entirely? Are any of these men still available to be put on to tobacco research, if the money were provided, so that you could further tobacco research? Are any of these men still available or could they be transferred?

Mr. MACRAE: This may not be a question that I should answer.

Mr. ROXBURGH: I did intend to ask that question of Dr. Anderson the other day but it slipped my mind.

Mr. MACRAE: Maybe Dr. Anderson should answer it.

Mr. ROXBURGH: Perhaps Dr. Anderson should.

Mr. VICKERY, do you know if there has been any effort made to obtain moneys over the past number of years from the government? Have you put any petition in for money at any time for further research on tobacco? If you have, have you received anything or have you had what you had before or have you actually been cut back?

Mr. VICKERY: Yes, each year we submit our operation and maintenance estimates. These estimates are submitted in July and August of each year for the following year.

Yes, I have asked for an increase each year. Most generally we have received approximately the same amount. I believe for this year, 1964-1965, our budget is a little higher.

Mr. ROXBURGH: Is it much higher?

Mr. VICKERY: It is significantly higher.

Mr. ROXBURGH: Dr. MacRae, has there been much increase in other crops? Do you know what the experimental farm grants are towards other crops each year in comparison, let us say, with tobacco?

Mr. MACRAE: I am not familiar with any substantial increases that have been provided for other crops. I feel that the total appropriation is up though, each year.

Mr. ROXBURGH: The total is \$21 million or something like that. Has anybody got the figure?

Mr. MACRAE: I am sorry, I do not have that information.

Mr. ROXBURGH: The flue-cured tobacco industry is what percentage of the whole industry? Let us say in dollars and cents return, where does the flue-cured tobacco appear as compared to the black tobacco or cigar leaf in percentage?

Mr. MACRAE: Well, the flue-cured tobacco industry constitutes almost 95 per cent, it is between 90 and 95 per cent of the total production.

Mr. ROXBURGH: If I remember correctly—I do not have the figures here, and somebody might be good enough to check me on it—in the moneys for experimental purposes the flue-cured tobacco had even less granted towards it than the other tobaccos in comparison; yet it is, shall we say, 95 or 95 per cent of the production. Is that right? Does anybody remember? Do you know, Harold?

Mr. DANFORTH: I do not know.

Mr. ROXBURGH: I think it was around \$250,000 odd, and this is talking to a point against my friend Mr. Pigeon; but I believe it was something like \$250,000.

Mr. PIGEON: Two hundred and eighty thousand dollars.

Mr. ROXBURGH: Is that it, \$280,000? If so, what is the reason for it?

Mr. DANFORTH: Was there not provision made in the estimates for the allocation of moneys to the stations which would include other research as well as tobacco?

Mr. ROXBURGH: No, I think it all had to do with tobacco research, although I may be wrong.

The CHAIRMAN: Perhaps Mr. Roxburgh could phrase his question without reference to a specific amount, if he is not sure of it.

Mr. ROXBURGH: No, I was just wondering what percentage of grant has been given for tobacco, and what percentage of it is being used towards flue-cured tobacco in the experimental work, in flue-cured work? Can you answer that, Mr. Vickery?

Mr. VICKERY: No, I cannot.

Mr. MACRAE: This is a rather difficult question. I am trying to find from the evidence given the other day what the figure for Delhi was, and what the figure given for L'Assomption was. Dr. Anderson gave me those figures.

Mr. ROXBURGH: Yes, he did. I am not quite sure, and I wanted to bring out that point because, as we all know, the flue-cured tobacco business is "the" business, in the over-all picture, and I wondered whether they were getting the proportion they should receive for the work. My last question is this, Mr. Vickery: If the grant were increased for tobacco—and in your statement it certainly looked that it should receive a larger grant—what would you actually start to do with it? If you received a fair sum, what would be the most important thing that you would use this grant for?

Mr. VICKERY: It depends mostly on how the grant should be utilized. At the moment we are not able to add very many more research personnel at Delhi without having the facilities for them to work with.

Mr. ROXBURGH: In other words, you need facilities to start with?

Mr. VICKERY: Yes, facilities are something that we do need before we can add anything else to it.

Mr. ROXBURGH: Are we doing much work now on the grey leaf experiments which are prevalent around Bowmanville and that area? It could be very disastrous to them. Is there much work being done?

Mr. VICKERY: We are doing some work at Delhi. I have three divisions working on grey leaf tobacco. One of the soils chaps who is working on soils is spending two thirds of his time on grey tobacco. I have a plant physiologist working approximately half of his time on grey tobacco; and we are doing some work on plant breeding for grey tobacco. This is probably taking one quarter of one man's time. We are co-ordinating our work with the soils institute at Ottawa, and we hope to do experimental work in the Renfrew area. We have plots in the Renfrew area as well as at Port Hope. We have obtained soil from Port Hope and moved it to Delhi, and we are doing quite a bit of work in the field with this particular soil. At the moment this is about all we can handle on the grey tobacco problem.

Mr. ROXBURGH: There should be more work done along that line, you think?

Mr. VICKERY: Yes, there should be more work done.

Mr. ROXBURGH: In other words, if money were allotted you could certainly make use of it?

Mr. VICKERY: If there was more money allotted, some would go towards the grey tobacco problem, yes.

The CHAIRMAN: Have you any more questions? If not, Mr. Matte.

(Translation)

Mr. MATTE: Is there more money being spent—

(Text)

The CHAIRMAN: Dr. MacRae did not get all the question. Would you please repeat it, Mr. Matte?

(Translation)

Mr. MATTE: Is there more money being spent in Quebec on tobacco research than in Ontario or the other provinces, for instance? Is there more money being spent on research in Quebec than in the other provinces or in Ontario?

(Text)

The CHAIRMAN: Are you not getting it, Dr. MacRae?

Mr. MACRAE: Well, I got the first part of the question. I would not say there was more money spent in Quebec than there is in Ontario. Dr. Anderson told us the other day that about \$231,000 was spent on the farm at Assumption, but about half of this, I would imagine, would be spent on research on other crops such as horticultural, cereal, forage, and on poultry, maybe half of it, and this would bring it to \$100,000 or \$125,000 for tobacco. This is only my estimate. I know the total vote includes work for other crops and other animals.

(Translation)

Mr. MATTE: Since the minister made her statement, which she no doubt made for the public weal, are people smoking more pipe tobacco?

(Text)

Mr. MACRAE: There is more cigarette tobacco smoked than there is pipe tobacco.

(Translation)

Mr. MATTE: Yes, but since the minister's statement, is more pipe tobacco being used?

(Text)

The CHAIRMAN: To which minister are you referring?

(Translation)

Mr. MATTE: The Honourable Judy LaMarsh, Minister of Health.

(Text)

The CHAIRMAN: You are referring to the Minister of National Health and Welfare.

(Translation)

Mr. MATTE: Since the statement by the Minister of Health, are people smoking more pipe tobacco?

(Text)

Mr. MACRAE: Yes.

(Translation)

Mr. MATTE: Is more being imported than before? People seem to be smoking a lot of imported tobacco?

(Text)

The CHAIRMAN: Would the translator please repeat the question? Or would you repeat it, Mr. Matte, please?

(Translation)

Mr. MATTE: Are people smoking more imported pipe tobacco than before? The demand for imported tobacco seems to be increasing. If you will allow me, I would like to ask whether it would be possible to grow that type of tobacco in Canada, to encourage people to buy Canadian pipe tobacco, for example?

(Text)

Mr. MACRAE: For a number of years, probably for the past ten years there has been quite a substantial increase in the importation of cigars, from Holland particularly; and during the past few years there has been quite an increase in the importation of pipe tobacco. After the conference on health, and after the release of the Surgeon General's report in the United States there was quite a reduction in the consumption of cigarettes. Compensating that, though, there was quite a marked increase, in respect to the sale of pipe tobaccos as well as imported pipe tobaccos.

(Translation)

Mr. MATTE: Is any research being carried out to stop these imports so that we can produce similar tobacco?

(Text)

Mr. MACRAE: The pipe tobaccos that are imported here are made from blends of different types of tobacco. There could be included some Canadian tobaccos, Canadian flue-cured, Canadian burley, and Canadian dark tobacco; and there could also be quite a large quantity from Brazil, from Rhodesia, and from other producing countries. We have here, in our flue-cured market, over 80 grades. We have several grades of burley, several grades of dark tobacco, And, there are several grades of Brazilian, Rhodesian, Turkish, and Indian tobacco.

The manufacturers of pipe mixtures say that they cannot duplicate the product of another manufacturer. It is impossible for them to get the same combination of grades. The mathematical probabilities are so remote that they could never duplicate those combinations of grades, or duplicate the manufacturing operations.

I know that our manufacturers here are very concerned over these imports. They are concerned about the tremendous increase in popularity among tobacco smokers of these various brands; but they could not possibly duplicate the process. They could come close to it, but it would be impossible to put exactly the same thing on the market.

The CHAIRMAN: Thank you. Now, Mr. Choquette.

(Translation)

Mr. MATTE: Thank you.

Mr. CHOQUETTE: What are the prospects of growing tobacco in Quebec? Are you concentrating on one area only, or do you think it would be possible to grow tobacco throughout Quebec?

(Text)

The CHAIRMAN: Dr. MacRae got most of the question. His equipment was not constant, but he will do his best to answer, and if he does not catch all of it, you will kindly repeat your question. Thank you. Now, Dr. MacRae.

Mr. MACRAE: For many years the manufacturers of cigar tobaccos preferred a strong, heavy-bodied leaf, because this was the sort of cigar that they felt that could sell. But within the last ten years we have been confronted with milder cigars coming in from abroad, and I have been promoting the production of a milder cigar leaf filler. This is one of the problems today that is commanding our attention. One of the group research committees is working

on this problem; and in this group research committee we are co-operating with the Quebec department of agriculture and the co-operatives at St. Jacques and St. Césaire. We have also agronomists in the various districts, as well as the station at Delhi.

The Imperial Tobacco Company is also participating. They conducted many of the tests for us. After all, the proof of the pudding, as it were, is in the eating. They run smoking tests, which are conducted by panels set up by the company, and we feel that during the past few years we are making considerable progress. Now, that is so much about the cigar tobacco industry. However, I think there is a great potential, particularly in view of the situation which prevails today in Cuba, in respect to cigar leaf filler.

As for the flue-cured tobacco industry, it is in somewhat of a different picture. An individual establishing a flue-cured tobacco farm requires a great deal of capital. He must have one hundred acres of farm land which is cleared and a soil suitable for the requirement. He must spend somewhere between \$35,000 and \$40,000 to equip this farm in order to get it into production, to produce around 30 to 35 acres of tobacco. I think that has been a deterrent in so far as Quebec farmers are concerned. The Quebec farmer hesitates to put up \$35,000 over and above the value of his land to proceed with a venture of this sort, the outcome of which he is or may be uncertain. There is a great deal more land with soil suitable for the production of flue-cured tobacco in the Joliette and St. Thomas areas. How much the production of flue-cured tobacco in that area will develop in the future I do not know.

(Translation)

Mr. CHOQUETTE: Thank you for your interesting answer. Now, do you see any possibility, as you wish to extend your research activities, do you see any possibility of co-operating with the ARDA program, for example, since that program is designed to develop and rehabilitate lands, particularly in the eastern part of our country? Do you see any possibility of co-operation, or of co-ordination between the program you are advocating and the ARDA plan that is being implemented in Canada?

(Text)

Mr. MACRAE: As you probably know, Mr. Choquette, all of the very successful farms in western Ontario were abandoned farms some years ago and were incapable of maintaining a general farming operation. Many of these farms today would not be producing any sort of crop if they were not producing tobacco. At the time of the tobacco health scare I was asked by a great number of people about alternative crops. I do not think that there is any comparable alternative crop which can be grown in those soils which would provide the revenue to farmers that a tobacco crop provides. I believe that is also true of the maritimes where tobacco is being grown.

I might add in this regard as a plug for ourselves that this development was undertaken some 30 years ago and abandoned because we did not at that time have the technical knowledge to sustain it. There are very successful programs underway in all three maritime provinces, and particularly in Prince Edward Island.

The advantage in this regard lies in the ability to put into production lands with soil that will not produce anything at all. Some of these farms have never produced anything while others have been abandoned for other reasons. Even in the Annapolis valley some of the orchards have been abandoned. We are reclaiming some of these farms and growing tobacco. I do not know whether the ARDA people are interested in some such program as this for the province of Quebec but I am sure that if they are we would be happy to co-operate with them.

(Translation)

Mr. CHOQUETTE: As far as I know I do not think the ARDA act provides anything like that, but would you agree that a recommendation be made to those who are responsible for carrying out the ARDA plan, would you favour a recommendation along those lines so that the scope of the act may be broadened and made to cover your own program so that land could be rehabilitated for tobacco growing?

(Text)

Mr. MACRAE: If you care to make such a recommendation I would be pleased to do my part to co-operate.

(Translation)

Mr. CHOQUETTE: Thank you very much. I wish my good friend the member for Nicolet-Yamaska were here, Mr. Chairman, because I know he is interested in agriculture. I am sorry he is not here because he often complains that members are absent. So I wanted to point it out.

(Text)

The CHAIRMAN: Thank you. Mr. Watson, did you have a question?

Mr. WATSON (*Assiniboia*): I should like to ask Dr. MacRae a question in respect of the research problem in Canada, and I have in mind the various types of grain which are grown particularly in western Canada and across the whole of Canada such as winter wheat and spring wheat. How many varieties of tobacco, which is grown mainly in Ontario and Quebec, exist, or can they be classed as kinds or varieties in the way we class grains? Do you have as many research problems in respect of tobacco as we have in respect of grains grown in all provinces across Canada?

Mr. MACRAE: I would suggest that we have more research problems in respect of tobacco than you have in respect of grains.

Mr. WATSON (*Assiniboia*): How many acres are in tobacco production in Canada?

Mr. MACRAE: Are you referring to the number of acres in production now or the potential number?

Mr. WATSON (*Assiniboia*): I refer to the number of acres producing tobacco at this time.

Mr. MACRAE: That figure changes from time to time because the flue-cured tobacco growers in Ontario exercise acreage controls. Each grower is entitled to an acreage or base acreage or a quota. This year we are operating on a 55 per cent reduction of the base acreage, so we will be producing 45 per cent of our base acreage. In addition to that change, we probably have 100,000 acres or more which could be developed with very little in the way of capital investment.

Mr. WATSON (*Assiniboia*): When you refer to 100,000 acres are you referring to acres which are not now producing tobacco.

Mr. MACRAE: Yes.

Mr. WATSON (*Assiniboia*): I assume that part of the difficulty in respect of the tobacco industry arises because of the low acreage involved and research difficulties. Do these things constitute part of the reason for the tobacco industry being in the difficulty it is today?

Mr. MACRAE: Those things may represent part of the reason for the difficulty but I would not suggest that that is the whole reason.

Mr. PIGEON: I understand that experimental research in respect of tobacco is mainly carried out at the farms at Delhi and L'Assomption, does your department spend money in respect of experimental tobacco research throughout the country at places other than Delhi and L'Assomption?

Mr. MACRAE: The research work in respect of burley tobacco is done at Harrow, Ontario. Research in respect of dark tobacco is also done at Harrow, although we are not doing very much work in this regard because production amounts to only about 500 acres per year. Entomology work in respect to the control of insects is done at Chatham and work is also done in addition to that in respect to diseases at Harrow. There is also some work being done at Fredericton, for New Brunswick; Kemptville, for Nova Scotia and Charlottetown for Prince Edward Island.

Mr. PIGEON: Do you do any research in respect of irrigation and curing of the tobacco leaf?

Mr. MACRAE: Yes, very much research has been done in this regard.

Mr. PIGEON: Has that research been carried out in Ontario?

Mr. MACRAE: The work in respect of burley tobacco is done at Harrow and in respect of flue-cured tobacco at Delhi and some at L'Assomption and Lavaltrie.

Mr. PIGEON: Do you know the total value of cigar tobacco imported into Canada from the United States and Cuba?

Mr. MACRAE: I think the total amount is in the order of 1.5 million to two million pounds per year.

Mr. PIGEON: Is that amount imported because we do not produce this tobacco in Canada?

Mr. HORNER (*Acadia*): What percentage of the Canadian consumption of cigar tobacco would that amount represent?

Mr. MACRAE: That amount would represent approximately 15 to 20 per cent of cigar tobacco consumed in Canada.

Mr. PIGEON: Why does Canada import two million pounds of cigar tobacco from the United States and Cuba? Why do we not produce that tobacco here in Canada? Do we not produce that tobacco because of adverse weather or soil conditions?

Mr. MACRAE: As you know, Mr. Pigeon, there are three parts to a cigar. There is the inner part which is the filler; there is the outer binder and wrapper. As far as wrappers are concerned, there is no substitute for a good Sumatra wrapper, and as far as fillers are concerned, the best in the world come from a specific area of Cuba.

We are trying to develop a much milder filler tobacco, with more flavour and aroma than anything we have so far been able to produce.

Mr. PIGEON: A few years ago the Imperial Tobacco Company carried out some experiments in the L'Assomption area in an attempt to produce a wrapper leaf but discontinued that experiment after a short period of time. Why is it impossible to produce a proper leaf in Canada which I understand would cost approximately \$2 per pound?

Mr. MACRAE: When the Japanese over-ran the Dutch East Indies our supplies of wrapper leaf were in jeopardy. For a few years we relied on the stocks of wrapper leaves that had been built up in New York and Holland. When it was felt that the war might continue for 5, 6 or 8 years it was evident that we were going to be without wrapper leaves, so the Imperial Tobacco Company bought a farm and attempted to duplicate the efforts being made in Connecticut and grow what is referred to as shade wrapper tobacco. This

attempt was quite successful. We produced quite a good wrapper tobacco under shade in the province of Quebec. As you may recall, things were rather grim at that time. Help was scarce and the farmers' sons were either in the army or working in the munitions plants. This was a difficult adventure so far as the Imperial Tobacco Company was concerned. That company proved however, that if ever it became necessary for us to grow shade wrapper tobacco in Canada we could do so. The company, however, discontinued its experiments in this regard after the war because they realized that they could buy shade wrapper tobacco from Connecticut slightly cheaper than it would cost to produce it in Quebec.

Mr. PIGEON: Why does your department not spend some money in an effort to convince the Quebec farmers that they should grow a wrapper tobacco leaf?

Mr. MACRAE: Such an enterprise would still be very costly.

Mr. PIGEON: What amount in dollars and cents is represented by the importation of this tobacco from Cuba?

Mr. MACRAE: We are not importing wrapper leaf from Cuba. We are importing some filler tobacco from Cuba.

Mr. PIGEON: What is the total amount in dollars and cents represented by the importation of tobacco from Cuba?

Mr. MACRAE: I do not have the exact figures with me, but I imagine the amount would be in the neighbourhood of \$1 million per year.

Mr. PIGEON: Many tobacco growers are very much concerned at the present time because tobacco companies, such as the Imperial Tobacco Company, have produced synthetic tobacco. Have you any idea of the number of pounds of synthetic tobacco being produced by the tobacco companies?

Mr. MACRAE: I think I would be devulging trade secrets if I answered your question, Mr. Pigeon, because there is only one company manufacturing homogenous or sheet binders in Canada at the present time as far as I am aware. We are importing some of this type of tobacco. There is a plant in Joliette which makes these sheet binders but it is not being used for filler purposes. This tobacco is only being used for binders between the filler and the wrappers.

Mr. PIGEON: Do the departments of finance and revenue consult your department when the government intends to increase or decrease the tax on tobacco in an attempt to assess the effect on the market?

Mr. MACRAE: No.

Mr. PIGEON: Do you think there would be an advantage in those departments consulting your department at such times?

Mr. PIGEON: Do you think it would be a good thing for both departments to consult your department when they decide to increase or reduce taxes?

Mr. MACRAE: I do not mind being consulted on anything, and I would not object to being consulted. They invariably, probably, would refuse to take my advice.

Mr. PIGEON: When the government sends specialists to the GATT meetings in Geneva concerning tariffs does the government, through the Minister of Trade and Commerce and the Department of Trade and Commerce, ask for your views?

Mr. MACRAE: Yes.

Mr. PIGEON: Each time?

Mr. MACRAE: Yes.

Mr. PIGEON: And each time you have made a recommendation?

Mr. MACRAE: Yes.

Mr. PIGEON: Have you any idea of the amount of tobacco which was smuggled from the United States? Have you any idea how many million pounds are involved?

Mr. MACRAE: What comes through today is very insignificant. Everyone is entitled to bring a carton of cigarettes. I do not think there is sufficient advantage to be gained, owing to the price differential, to encourage smuggling. This was not true a few years ago. At that time smuggling was very serious, but it does not seem to be any problem today. The amount coming in is quite inconsequential.

Mr. PIGEON: Have you any figures over the past two or three years showing the total amount of cigarettes that were smuggled from the United States?

Mr. MACRAE: There is no record of the total amount.

Mr. HORNER (*Acadia*): Dr. MacRae, with regard to harmful chemicals, you said earlier that if there are any such harmful chemicals you would like to know what they are. Is there any exchange between your department and the Department of National Health and Welfare on this subject?

Mr. MACRAE: Before the conference on health was organized I was in very close touch with the officials—and one in particular—of the Department of National Health and Welfare.

Mr. HORNER (*Acadia*): To your knowledge, does the Department of National Health and Welfare carry on any research with regard to the harmful effects?

Mr. MACRAE: Not to my knowledge.

Mr. HORNER (*Acadia*): They pick up their knowledge from other research centres?

Mr. MACRAE: I think they have made some surveys.

Mr. HORNER (*Acadia*): But they make no research directly into tobacco?

Mr. MACRAE: I am not familiar with any research they are doing on the effects of smoking on health.

Mr. HORNER (*Acadia*): I understand from your remarks that there is a great deal of co-operation between your department and the tobacco companies with regard to experiments. Am I right?

Mr. MACRAE: That is right.

Mr. HORNER (*Acadia*): What percentage of the research done in Canada, for example, would be done by the tobacco companies themselves? Can you give us an idea?

Mr. MACRAE: Most of the research work done by tobacco companies is done on the end-use of tobacco. They do a tremendous amount of work on smoke analysis, the effectiveness of filter tips, the changes brought about by change in their recipes or blends of different grades or blends of different types of tobacco.

Mr. HORNER (*Acadia*): They do very little research with regard to plant growth and soil analysis and fertilizers, and so on?

Mr. MACRAE: The Imperial Tobacco Company operates a farm not too far from Delhi in Norfolk county, which they use for a variety of purposes. One of the reasons for which they operate this farm is to determine in a fair way, as it were, the relative costs of production. They operate this farm as a farm, as I would operate a farm or maybe as you would operate a farm, and they keep accurate records of the moneys they spend and the incomes derived. They also have in their research establishment in Montreal a large staff, greenhouses and plant physiologists, and they study growth behaviours. I think they probably spend more money than we do on research, as such.

Mr. HORNER (*Acadia*): This is the Imperial Tobacco Company, not all companies?

Mr. MACRAE: The Imperial Tobacco Company, yes. Other companies do research, too.

Mr. HORNER (*Acadia*): I have a couple of more questions.

You stated that our exports could probably increase if a favourable atmosphere was created. I think that was the remark you made earlier today. What suggestions have you with regard to creating that favourable atmosphere?

Mr. PIGEON: Change the government!

Mr. HORNER (*Acadia*): What is lacking in today's atmosphere? The Minister of National Health and Welfare has gone to a great deal of trouble concerning this, but what is there that can be done besides what is being done by the minister?

Mr. MACRAE: I was hoping I would not be picked up on that statement.

Mr. HORNER (*Acadia*): I did not mean to pick you up, but it sounded like an interesting comment.

Mr. MACRAE: Our marketing problem in Ontario, particularly with regard to flue-cured tobacco, has been a very difficult one recently. I believe that you will have one or more representatives from the flue-cured tobacco marketing board here before this committee completes its study. I would prefer that you withhold your questions until this representative appears.

The CHAIRMAN: I wonder if I might interject, with Mr. Horner's permission. I made a note of that too; I think it was initiated by Mr. Noble. I wonder whether Dr. MacRae might give the committee his opinion of what might beneficially be done in the field of research to promote export markets. Could you give us your opinion on that?

Mr. MACRAE: Our main effort is an attempt to improve the quality of our leaf. If we succeed in producing a better quality leaf and if buyers know that we have something here that is of the type they want at a competitive price they will come. A lot of buyers came in last year, buyers who had not previously displayed much interest in our leaf.

Mr. HORNER (*Acadia*): In the marketing of the Canadian product, what percentage is bought by the Imperial Tobacco Company? Or is there another large concern which has quite an influence on the market?

Mr. MACRAE: I would say that between 45 and 50 per cent of the crop is bought by the Imperial Tobacco Company.

Mr. HORNER (*Acadia*): It has been suggested in this committee this morning that perhaps more money should be allocated for research. If more money were allocated for research, along what lines would you direct the research? Would you direct it towards the production of a better leaf or towards improved curing methods? In just what direction would you use this money?

Mr. MACRAE: There are a number of problems and some of the problems are very involved. I would like to see us undertake a much more extensive and, probably, intensive program in regard to the aroma-bearing constituents in the leaf, to find out what are the factors contributing to aroma and flavour. There is the question of moisture relationships, which is very interesting. We know that certain grades of leaf take up moisture very quickly and hold it; other grades take it up quickly and lose it quickly; others take it up slowly and hold it; and yet others take it up slowly and lose it. There are all these different relationships to be considered. This is a very important problem. It is a very important problem in so far as Canadian leaf is concerned. We should determine the reasons for these differences. There are a number of problems such as this.

Mr. HORNER (*Acadia*): Is any part of your research directed to marketing; and, if so, what percentage of your research is directed toward the marketing end of the industry?

Mr. MACRAE: We have no direct effort in marketing research.

Mr. HORNER (*Acadia*): There is no effort made to find out what quantities or qualities are desired? That is an interesting reply.

Mr. MACRAE: We are operating a research branch which is purely a scientific organization. This is the basis upon which we are operating today. We have done the sort of thing you are talking about and we have made visits to factories, both here in Canada and overseas.

Mr. ROXBURGH: May I interrupt now we are just on this subject. Is a considerable amount of money not spent in the Rhodesian experimental station on research into the marketing of tobacco? Of the amount of money that is allowed to the experimental station, is not a considerable amount spent on marketing? Is there not a division within that station which expends considerable effort on marketing of tobacco, and is that not one of the reasons why they are gradually taking over the tobacco market in the world?

Mr. MACRAE: They have an organization there known as TEPCOR, the Technical Export Production Council of Rhodesia. This is a very active organization and it is subsidized by the growers and government. The growers have spent a great deal of money; almost every potential customer of tobacco throughout the world has been visited on a number of occasions. They have even used what might be regarded as a travelling sales ship or a travelling trade ship to exhibit their grades of leaf.

Mr. HORNER (*Acadia*): What percentage of this organization would be financed by the growers? Do the manufacturing companies themselves go into it?

Mr. MACRAE: Very little of it is financed by the manufacturing companies because there are not many large manufacturers in Rhodesia; there are many processors and exporters and a tremendously effective grower organization.

Mr. HORNER (*Acadia*): Then again, what percentage of this organization would be financed by the growers? Would it be a small percentage or a large percentage?

Mr. MACRAE: I have not the exact figures but it would be very large.

Mr. HORNER (*Acadia*): Practically all?

Mr. MACRAE: I would say at least 60 per cent.

Mr. MCBAIN: Mr. Chairman, at the last committee meeting we had Dr. Anderson with us. I believe he left us some figures with regard to the budget for the coming year: \$24,600,000 for agriculture and, allocated from that, some \$375,000 for tobacco. I am just wondering what amount is being spent on the tobacco crop, in dollar value, as compared with potatoes, for examples.

Mr. MACRAE: We are presently in the midst of study of this kind and we have not all the data available because we are trying to look at the total effort. If we consider the research work done on cereals, we must not only consider the work done by our own branch or our own department, we must also take into consideration the work done by other branches in the Provincial department of Agriculture as well as by universities.

We are making a study today in an attempt to determine what these percentages are with respect to individual crops. As far as tobacco is concerned, all the research work is done by our branch, the Research Branch of the Canada Department of Agriculture. No provincial government is doing any research, along these lines and no university is doing any researching and this is not the case with respect to many other agricultural commodities.

In a few weeks time we hope to be able to provide an answer to questions such as that which you have just asked.

Mr. MCBAIN: Can you give us figures, percentagewise, of what is being done by industry in tobacco research compared to that undertaken by government?

Mr. MACRAE: No, I have not those figures.

Mr. MCBAIN: Then I have another question. Is the leaf we are presently producing meeting the requirements of export demand? I know the Delhi experimental station has a number of leaves under experiment which are not now named. Is there a possibility that some of these new leaves may in future more readily meet the requirements of our export market?

Mr. MACRAE: This is true. The varieties of tobacco grown change from year to year. We have very few varieties grown today that were grown 20 years ago. The same is true of burley tobacco and other types of tobacco as well. So, some of the ones we are working on now could be the more popular ones in the next four, five or ten years.

Mr. MCBAIN: Are we producing a leaf that will ripen more rapidly in the areas that have not as many frost free growing days as we have in southwestern Ontario? Is there that possibility in the future?

Mr. MACRAE: We have other early varieties. Unfortunately, when we develop a variety that is a week or so earlier than standard varieties, one must sacrifice something in yield.

Mr. MCBAIN: And quality as well?

Mr. MACRAE: More particularly in yield.

Mr. MCBAIN: There is another question that has been confusing to many people, and that is why Canadian tobacco is named "Virginia leaf". When people see "Virginia leaf" on the package they think it is not Canadian tobacco but United States tobacco.

Mr. MACRAE: Virginia leaf is a general term used in reference to cigarette tobacco. This is a type of tobacco. Virginia leaf is grown in Rhodesia; it is grown in India, and in many other countries. It is synonymous with flue-cured, or cigarette tobacco. The name is a traditional one because the industry really developed in Virginia, although today most of the tobacco in the United States is probably grown in North Carolina rather than in Virginia.

Mr. MCBAIN: Do you feel that the name Virginia leaf has hurt our possibility for promoting the export trade? Do you feel that they would prefer to turn to the United States for the reason that the name "Virginia leaf", in the minds of the buyers, comes from another country?

Mr. MACRAE: I do not know of any country today that regards the expression "Virginia leaf" unfavourably. I might say that in the United Kingdom until very recently they could not use the term unless it came from the United States, even though it may have come from North Carolina or South Carolina or Georgia. However, the legislation that was in effect in the United Kingdom at that time has now been rescinded and the expression can be used to refer to this type of tobacco, whether it comes from Canada or elsewhere.

Mr. MCBAIN: I have one further question which has to do with leaf mould or mildew. A few years ago this was very prevalent. Has this been less prevalent in the last few years because weather conditions have been more favourable or have you produced a more favourable variety that is not so susceptible to this type of disease?

Mr. MACRAE: I think it is due mostly to climatic conditions. The outbreaks of fleck are attributed to a certain set of climatic conditions. Obviously, these same climatic conditions did not prevail during the past season. This is a most unusual phenomenon. It is not a mildew; it is a physiological phenomenon.

There are many questions in regard to it which have not been solved. We are still working on it. Mr. Vickery has some of his staff working on it at the present time, and we are trying to develop strains that are tolerant to this condition. How soon will they be released, I cannot say.

The CHAIRMAN: Thank you. I think we should re-assess our position. Mr. Roxburgh says that he has another question. I know that there are members who have other commitments and who must leave, and I think the committee might adjourn in one minute after Mr. Roxburgh has asked one question.

Mr. ROXBURGH: I would like to ask the doctor concerning the agricultural crops which come under the \$24,600,000 experiment, which crop returns the most to the government?

Mr. HORNER (*Acadia*): Wheat.

Mr. ROXBURGH: I mean return to the government, not to the farmers.

The CHAIRMAN: Order, order.

Mr. ROXBURGH: Which crop returns the most to the government?

Mr. HORNER (*Acadia*): I say wheat.

The CHAIRMAN: I do not know if the witness can answer that question. If he cannot answer it, he will indicate it to the committee. It is difficult for Dr. MacRae to answer that question. I do not think the committee should ask him to, because he would only be guessing anyway. What we are talking about is revenue derived from excise taxes and sales taxes, which do not really come within the purview of this committee.

Is it the wish of the committee to adjourn now? I know the members have been very good to be with us this morning, and I know we have had a very good meeting. Is it the consensus that we now adjourn?

Agreed.

Before we leave I know the members of the committee would want me to thank Dr. MacRae and Mr. Vickery on their behalf. And I thank you all for the very good attendance and very good meeting we have had this morning.

Appendix "A"

Experimental Farm, Delhi, Ontario

TOBACCO RESEARCH PROGRAMME

The Tobacco Experimental Farm, Delhi, established in 1933, is located within the main flue-cured tobacco growing area of Canada. This research centre has specialized on applied problems of this crop since its establishment. There are four main sections of work, namely, soil science, genetics and plant breeding, plant physiology and plant science, being conducted. Although many significant advances have been accomplished on varieties, nutrition, cultural practices, soil fumigants, irrigation and curing there are several important problems that still require further study to obtain information on prevention, controls and/or improvements. Some of these are grey tobacco, weather fleck, brown root rot, curing, harvesting, sucker growth, maturity, diseases, insects, flavour and aroma, conditioning and processing.

At present the research staff, consisting of 5 at Delhi, working on soils, genetics and plant breeding, plant physiology and agronomy are investigating potassium fertilization in relation to yield and quality, fertilization of seedbeds, the influence of spacing the topping on quality and yield, breeding and testing flue-cured and cigar strains and varieties for Ontario and Quebec, breeding tobacco stocks with high levels of disease resistance, the inheritance of factors associated with tobacco quality, chemical control of weather fleck, the curing of tobacco under controlled conditions, the effect of different stages of maturity on quality, grey tobacco-cause and preventative measures, herbicides for control of weeds in tobacco, tobacco growth inhibitors, and seedling production. Entomology investigations are being conducted by the Chatham Entomology Laboratory, and Plant Pathology by the Research Laboratory, St. Catharines.

Problems requiring additional assistance include weather fleck, grey tobacco growth inhibitors, decomposition of crop residues, insect controls, flavour and aroma, measurements of quality, breeding resistance to several diseases, controls for damping-off and stem rot of seedlings and stem rot during curing, production of strong seedlings, study of nematodes, harvesting machinery, mechanization and processing.

Experimental Farm, Delhi, Ontario

TOBACCO RESEARCH PROGRAMME

Soil Science

A well balanced fertilizer programme is essential for the production of high yielding, good quality flue-cured tobacco. Research on nutrition at Delhi is confined mostly to nitrogen, potassium, phosphorus, magnesium and chlorine requirements. Laboratory tests are used to supplement subjective methods when estimating quality.

Present research includes a study of potassium requirement of tobacco and effects of nitrate and ammonium sources of nitrogen on quality and maturity. Although the approximate amount of potassium in commercial fertilizer is known, the effect of this element on certain quality characteristics has not been clearly defined. As new varieties are developed and cultural practices altered specific nutrient requirements must be known to produce optimum yield and quality to meet domestic and export demands. Literature indicates that

excessive ammonium nitrogen could be detrimental to tobacco maturity. Since flue-cured tobacco is being grown farther north in Canada than in the United States it is possible that a higher percentage of the nitrogen should be in the nitrate form.

Considerable loss has occurred in Ontario because of grey tobacco, a physiological disorder of unknown cause. The market value of such tobacco is very low due to its unattractive appearance and suspected poor smoking qualities. Delhi is studying what physiological changes are associated with this disorder, and what measures may be taken for its prevention. Grey tobacco may be recognized in the plant as showing a bronze cast and a distinct peppery appearance. When cured it becomes a blended or variegated grey color that has a musty odor when shredded into cigarette filler. Several grades were established in 1961 to differentiate grey tobacco from other recognized grades. Work is being conducted in cooperation with Soils Research Institute, Ottawa, and several tobacco farmers within the grey tobacco producing areas.

An experiment is in progress to determine the effect of spacing tobacco and fertilizer practices on several varieties. Although certain cultural practices may not have an effect on yield and subjective quality, they may have on certain chemical constituents and/or physical properties. Data are being collected on yield, grade, maturity, total sugars, total alkaloids, petroleum ether extractives, total volatile bases, nicotine, ash alkalinity, burn, filling power, lamina weight per unit area, calcium, potash and total water extractable acids. Some of these analyses are being conducted by the Imperial Tobacco Company of Great Britain and Ireland.

Genetics and Plant Breeding

The primary objective of this program is to develop improved flue-cured tobacco varieties showing superior agronomic characteristics and highest possible levels of tolerance to black root rot, weather fleck, grey tobacco and brown root rot. It is essential to conduct genetical studies on the modes of inheritance of the characters desired and cytogenetical work to achieve this objective. In addition, advanced lines and new varieties are being compared with present varieties before being released. Changing requirements by manufacturers has urged the need for heavy bodied varieties, but this appears to be changing again. The plant breeding program at Delhi is geared to meet these demands as well as produce specific strains that may fit into future trends by consumers and to satisfy both the domestic and export requirements.

Varieties and strains are being tested for agronomic, physical, and chemical qualities including maturity, yield, grade, sucker growth, leaf size, smoking preference, nicotine, nornicotine, total sugars, petroleum ether extractives, filling power, burn, shatterness, lamina weight per unit area, color, aroma, black root rot, weather fleck tolerance, and certain other tests that may show differences from the present standard varieties grown in Ontario.

Varieties and strains that pass the black root rot test and appear promising for growing in Ontario are carefully inspected by leaf specialists. These are rated by tobacco buying companies and skilled leaf appraisors at the Experimental Farm. No variety is recommended today without first passing this inspection. This eliminates a new variety or strain from being grown that later may be turned down by buyers.

In search for certain desirable qualities, germ plasms of the older type varieties are being screened for tolerances to known diseases and for heavier bodied leaf through the entire plant. In addition, new strains and varieties are being tested, received from other countries of the world producing flue-cured tobacco, including the United States, Rhodesia, Nyasaland, Australia and New Zealand.

A selection program to improve present recommended varieties is in progress at Delhi. Delcrest, a variety released in 1948 by Harrow and Delhi is being given special attention. Strains have been selected for less percentage of turned-over tip leaves, improvement in leaf structure, and higher quality. Future selections will include Hicks Broadleaf, White Gold and Jamaica Wrapper.

No true resistance to weather fleck has been found, but some strains have shown a degree of tolerance. Investigations are being continued at Delhi on an extended scale because of the severe damage caused by this disorder in Ontario nearly every year. A variety, Delhi 61, was released on a trial basis in 1961 that showed some tolerance, but has not been recommended commercially because of its slow acceptance by the tobacco buying companies. In addition, this variety fails to have sufficient tolerance to withstand severe attacks of fleck. Varieties and strains are being tested for weather fleck at two sites, namely Delhi and Port Burwell.

The present breeding research program includes studying the acceptability, yield and quality of the first filial generation after crossing flue-cured varieties in various combinations, including other types. This work is being conducted to obtain suitable crosses that may be superior to the present commercial varieties. The usual method of producing a variety is long and tedious, and never produces a complete homozygous population. The use of F_1 material, as varieties, has become popular in other types of tobacco, namely cigar wrapper, burley and European dark. There is a similar need in flue-cured if seed can be easily produced.

Studies are in progress at Delhi to transfer cytoplasmic male sterility to commercially grown flue-cured varieties from Male Sterile Oxford 402 by means of grafting. If successful, this could play an important part in producing hybrid seed.

A genetic research program is in progress at Delhi to provide basic and background information, as well as genetic material, for the breeding and selection investigations to elucidate the mode of inheritance of certain important quantitative and qualitative characters bearing on yield and quality of the cured leaf. This work also includes correlating quality characteristics with the histological constitution of the plant because it is generally believed that certain quality characteristics of tobacco are a function of the histological constitution of the plant. A knowledge of this relationship is expected to be a useful tool in selecting strains with certain desired characteristics.

Interspecific hybridization in the genus *Nicotiana* is being used to transfer specific genes to flue-cured tobacco for the purpose of developing immunity to certain diseases and improve the quality including certain physical and chemical characteristics. Although most varieties of flue-cured tobacco have some tolerance to black root rot, not one is completely immune to this disease. In years of severe disease outbreaks, there has been a considerable loss by the tobacco producers. All interspecific gene transfers, that have been accomplished to date with *N. tabacum* as the receiving parent, have been at least partially dominant including the necrotic type of mosaic resistance, blue mould resistance and black root rot resistance.

Plant Science

A comprehensive study is in progress at Delhi to determine the effect of various materials, applied as sprays or dusts, on the incidence of weather fleck and on the quality of cured leaves to obtain a suitable control measure that does not harm the desirable quality factors. Since this disorder is considered to be caused by air-borne oxidants, there is a good possibility of obtaining control

by applying anti-oxidant materials. The work is being conducted in several phases. Initially, the effectiveness of various materials with anti-oxidant properties are being tested. These materials are comprised mostly of commercially-formulated fungicides. Formulation and spraying technique is varied with the beneficial materials to determine optimum procedures. This involves comparison of the effects of time of day, weather conditions, number of treatments, degree of coverage, and concentration and rate of the material, adjuvants, carriers and diluents on weather fleck incidence and leaf quality. Materials, found to be promising in controlling weather fleck and show no harmful effects on quality, are being tested in large plots to obtain sufficient tobacco for comprehensive chemical and physical analyses. Finally, materials that appear promising shall be tried on a large scale before being recommended for general use.

A study is underway at Delhi to determine the relationship of leaf maturity to quality. Knowledge of the effects of leaf maturity under both normal and abnormal conditions is a necessary prerequisite to the production of crops acceptable in all quality factors to domestic and foreign purchasers of Canadian tobacco. Tobacco is being harvested at different stages of maturity to determine the effect of stage of leaf maturity at harvest on the chemical and physical characteristics of the leaves. Further work is to include certain agronomic practices or chemical treatments designed to hasten or delay maturity. The information gathered is to evolve practices or treatments consistent with the attainment of optimum quality in Canadian flue-cured tobacco. The tobacco, when cured, is being assigned grades indicative of commercial value by experienced leaf graders, and analysed for important chemical and physical indicators of quality. Chemical analysis include total sugars, chlorophyll, total nitrogen, nicotine, petroleum ether extractives, total volatile bases, chlorine, potassium, phosphorus, calcium, magnesium, alkalinity, and total ash. Physical measurements include rate of burn, filling power, tristimulus color, shatterness, and lamina weight per unit area.

Curing investigations are being conducted at Delhi to study the yellowing, color fixing, and final drying phases under controlled conditions to determine optimum schedules. Knowledge of the effects of environment is necessary to assure optimum performance of forced-air curing systems. The yellowing phase is now completed and the color fixing phase partially completed. Variations of temperature and saturation deficits are included separately and together within the treatments. Measurements of quality include grade indices, tristimulus color by the Gardner Color Difference Meter, loss of weight, plastid pigments and reducing sugars.

Preliminary work is in progress at Delhi to determine the effect of planting seedlings grown in cubicles, compared with ordinary planting from seedbeds, on the maturity, yield, quality, and certain chemical constituents and physical characteristics of the cured leaf. This method is capable of producing uniform, strong, healthy seedlings that mature at least one week earlier. This method is being investigated as to the production of better textured leaf with possible improvement in aroma and flavour.

Several new growth inhibitor chemicals are being tested at Delhi to discover a suitable material for controlling suckers with no detrimental effect on quality. Research on maleic hydrazide has been reduced because of its harmful effects on quality and the objection of buying companies in purchasing treated leaf.

Preliminary investigations are in progress to determine the usefulness of certain herbicides in the cultivation program of flue-cured tobacco. Several new herbicides have been tested with reasonable success in the United States. Some of the most promising ones are being tested at Delhi in 1963.

Microbiology

Preliminary investigations are being conducted on the effect of soil fumigants on soil bacteria in relation to the availability of nitrogen in flue-cured tobacco soils. This work is being conducted by the Microbiology Department, Guelph, and the Experimental Farm, Delhi. The nematicide, Telone, is being compared with N-Serv, a known inhibitor of nitrifying bacteria, to determine the effect of a nematicide on the most probable numbers of nitrifiers in the soil. Previous work showed that fall fumigation for the control of the meadow nematode caused an excess of nitrogen to be released to the tobacco crop the following year.

Plant Physiology

At Delhi a study is underway to determine the physiological condition of the plant, which controls the accessibility of the leaves to ozone injury. The effect of sugar accumulation on stomatal opening is being studied under this investigation. This investigation is being conducted under controlled conditions with leaves of different physiological age, and leaves that have been treated with a sugar solution. If positive leads are obtained from this preliminary study, more detailed work on certain specific constituents of the leaf in relation to ozone injury will be conducted.

Preliminary investigations are in progress at Delhi to determine the effect of light, temperature, and humidity, on growth, chemical composition, and biological activity of certain chemical constituents of flue-cured tobacco. It is known that growth and quality vary with geographic location. Factors responsible for these changes are not fully understood. Basic knowledge on growth is required to determine what conditions are required to improve the flavour and aroma of Canadian leaf. Among the chemical constituents of the tobacco leaves, phenolic compounds are receiving attention as a probable lead to leaf quality. This work is being conducted in controlled growth chambers by growing plants from seedling size to maturity.

Plant Pathology

Plant pathologists are investigating why in some instances certain plant residues or organic amendments have been found to be beneficial to tobacco and at other times have not, especially from the root disease aspect, and why some cover crops are more suitable than others. In this respect studies are in progress at Harrow to determine the effect of the various plant residues, rye residues in particular, on survival of *Thielaviopsis basicola* in nature; whether new strains of the pathogen are evolving on rye as the additional host, and whether rye residue serves as substrate for the fungus thus increasing its occulence and pathogenic capability.

Method of survival and inoculum build-up of *Alternaria longipes*, a leaf pathogen believed to be partly responsible for the disease called "brown spot", is not known. Studies are in progress at Harrow to establish if certain crop residues serve as substrates for this pathogen.

With the exception of steaming there are no other methods which are uniformly effective for use in seedbed sterilization. Several soil fumigants are being tested at Delhi and Harrow to find a substitute for steam, as steaming seedbeds is laborious and costly.

Entomology

The Entomology Laboratory, Chatham, are presently conducting research studies on cutworms, root maggots and hornworms attacking flue-cured tobacco in Ontario.

Since the development of insecticide resistance in two species of cutworms recently new emphasis has been given to control studies and recommendations. Aldrin and Heptachlor, for several years, produced excellent results, but no longer are suitable insecticides for the control of cutworms in tobacco soil. DDT was recommended in 1963 for most areas, but it failed to provide adequate control on some farms. Entomologists consider that DDT may not be suitable for 1964 due to the resistance developed in the sand-hill and dark-sided cutworms, the two most common species found in the heavy tobacco producing areas of Ontario. Until new insecticides are developed that will control these species, poison-bran baits, which kill cutworms by digestive action, is probably the only suitable means of control. These were used several years ago but were replaced by contact poisons for convenience.

Root maggots in flue-cured tobacco soils have been serious since 1958, causing injury to newly transplanted plants. An extensive research program is continuing, testing several insecticides as water barrel treatments to determine their effect on maggots, and whether any phytotoxicity is present that may affect plant growth. Diazinon is being used extensively throughout the tobacco growing districts affected by root maggots, but it tends to be slightly phytotoxic if the seedlings are tender at the time of transplanting.

Research is being conducted on hornworms to reduce or entirely eliminate insecticidal residues. Tobacco manufacturers have been quite conscious of chemical insecticides on the cured leaf. Our entomologists hope to have Canadian leaf free of insectical residues in the future, if it is desired by the manufacturers.

The Entomology Laboratory, Chatham, is concentrating on toxicological and biological studies on insects attacking flue-cured tobacco, emphasizing on methods of counteracting resistance in insects.

Engineering

Research is being conducted at Delhi to further develop facilities and techniques for bulk curing flue-cured tobacco consistent with the attainment of optimum quality, maximum labour saving, and minimum cost of production. Labour requirements should be less for the bulk than for the conventional method, but is only important if the quality is not affected. A new bulk curing kiln is being designed in an attempt to produce desirable quality, reduce construction costs, and provide easy methods of handling the bulks.

PROBLEMS IN TOBACCO REQUIRING FURTHER INVESTIGATION

Weather Fleck

Although considerable effort has been directed towards determining the cause of weather fleck, now known to be ozone damage coupled with warm humid weather conditions, partial maturity and stomata aperture, more information must be known about the physiology and biochemistry of the plant prior and at the time of occurrence before suitable preventive methods can be developed. Present investigations involve testing numerous varieties and types to locate more tolerant strains to this disorder under field conditions, and to test several anti-oxidant sprays that may be applied prior to attacks, to reduce possible infection. Weather fleck destroyed or damaged an estimated 30,000,000 pounds of flue-cured tobacco since its first significant occurrence in 1955.

Growth Inhibitors for Controlling Suckers

As previously intimated, methods of suckering tobacco have a definite effect on the growth, yield, quality and maturity of flue-cured tobacco. This type must be suckered to produce high yields with desirable quality. Labour for hand suckering is expensive and difficult to obtain. The cost of hand suckering one acre can vary from thirty to sixty dollars depending on the growing season. If the average cost was forty dollars per acre, the total cost in Ontario could amount to 4,000,000 in 1963 if every grower hand suckered twice. In recent years many growers have neglected to sucker more than once because of scarcity of labour. Such a practice reduces yields and produces a thin leaf that is not desired on the market. In order to reduce labour and cost of suckering, maleic hydrazide has been investigated and tried by many growers with excellent results for controlling suckers and increasing yield, but it has been found to upset the chemical balance of the leaf by changing important constituents such as total sugars, total alkaloids, and physical characteristics such as filling value, color, flavor and aroma. Because maleic hydrazide causes tobacco to change from its normal state, if used at a rate that will control sucker growth, it is not desired by the buyers, not recommended by the Research Branch, or accepted by the Ontario Flue-Cured Tobacco Growers' Marketing Board. Oils such as TSC 350 and Bayol N-300 have been used with reasonable success. Several growers used oils in 1962 and many are planning to use them in 1963. The cost is approximately fifteen dollars per acre including the cost of the oil and labor for application.

Work is in progress at Delhi on new growth inhibitors with the hope that they may control sucker growth without varying the chemical or physical characteristics of the leaf. Additional work on growth inhibitors is necessary to find a suitable chemical as the control of sucker growth on tobacco is one of the most important problems faced by the Ontario tobacco grower.

Grey Leaf Tobacco

Growers in some districts of Ontario are concerned with the percentage of grey leaf tobacco they are producing, a serious disorder that reduces the price when auctioned. The loss caused by grey leaf may be more than a half a million dollars in some seasons. This disorder may have an effect on the market generally as some buyers are not conscious that it is occurring only in certain crops. In addition, if new farms are allowed to develop many of them would be within the areas now known to produce a high percentage of grey tobacco. Research work is in progress by placing several nutrient experiments in the areas where this disorder is most severe, and conducting chemical and physical analysis on the cured leaf. Additional work is required on micro chemical analysis, biochemistry, physiology, histology, cytology and soil microbiology to determine the cause and formulate preventative measures.

Decomposition of Crop Residue

The effect of mature rye and wheat straw on certain physical, chemical and microbiological properties of flue-cured tobacco soils is an important problem that has been only partially investigated. Studies at Delhi have revealed that additions of rye straw increases the organic matter content of the soil, that approximately 80 per cent of the straw is decomposed during a 4 month incubation period, and that added nitrogen increases the rate of straw decomposition. Little is known on the required microflora needed in tobacco soils for proper decomposition. This problem should be explored further by soil microbiologists, who undoubtedly could reveal some of the transformations that take place when

straw breaks down into humus. The beneficial and other characteristics of organic matter decomposition upon the growth of subsequent crops should be studied in detail after a microbiological investigation has provided the required information. The decomposition of straw is one of the most important problems of tobacco growers when maintaining or improving the productivity of the soil.

Insect Problems Requiring Further Research

Adequate staff and facilities were available at Chatham to maintain a high degree of insect control in flue-cured tobacco until 1958. Damage by wireworms, cutworms, aphids and hornworms was reduced to a minimum by the use of control measures largely developed at the Chatham Laboratory. The development of insecticide-resistant strains of various species of insects since 1958 has resulted in new pests attacking tobacco, and high monetary loss to tobacco growers during the period required to develop new control measures.

Resistant root maggots, which attacked tobacco for the first time in 1958, caused an estimated loss in excess of 500,000 dollars in 1960. Diabinon is the only insecticide tested to date which adequately protects tobacco from maggot attack. Should the maggots develop resistance to this chemical growers would probably have to turn to cultural methods for control. Injury may be greatly reduced by planting strong healthy seedlings and/or planting after peak larval activity.

Two or more species of cutworms in Norfolk have developed resistance to aldrin, endrin and heptachlor, and show some tolerance to DDT, the last soil insecticide recommended. Thousands of acres in Norfolk county were re-treated in 1963 due to inadequate control of cutworms. Poison-bran baits, which kills by digestive action, may be the only sure method in 1964.

Information is lacking on biology and control of crane fly larvae which attacked flue-cured tobacco for the first time in 1962 and 1963. If this insect proves to be another resistant species considerable loss can be expected during the period required to develop adequate control measures.

Flavor and Aroma in Canadian Tobacco

Canadian flue-cured tobacco is considered to have fair flavor and aroma, better than that produced by most other producing countries in the world, except the United States which is the strongest competitive country for tobacco having these characteristics. It is necessary to study the volatile constituents of the leaf to determine flavor and aroma. The volatile oils are the principal aromatic fraction, the total quantity being less important than its composition. As preliminary investigations have been made in other countries on essential oils it is imperative that investigations of a similar nature should be started to evaluate technological improvements that might affect the composition of these lipids. Polyphenols such as chlorogenic acid, rutin, acopoletin and caffeic acid are known to be affected by cultural and curing practices. Polyphenols are believed to contribute to smoke flavor.

Flavor and aroma are known to improve by aging the leaf from one to three years, or passing it through several "sweat" periods by artificially controlling the temperature and humidity. Very little information is available on the changes that occur when tobacco is aged.

Chemical and Physical Measurements of Quality

Several tests are being employed to measure the quality of flue-cured tobacco including total alkaloids, nicotine, nornicotine, total sugars, total volatile bases, petroleum ether extractives, alkalinity of ash, pH, filling power, color,

shatterness, burn, lamina weight, stem percentage, tensile strength, etc. However, much is still to be known as to their relationship to quality and to one another. Buying companies have a wide range of requirements ranging from low to high nicotine, light to dark color, light to heavy leaf, etc. but generally they desire a leaf with about two per cent nicotine, 18 to 20 per cent total sugar, good filling power, low shatterness, good burn, low stem percentage, good tensile strength, good texture, lemon-orange in color, and no green leaf, especially if for the export market. Little is known on the relationship between these tests and observed qualities except they do tend to correlate in certain instances. Much is still to be known on evaluating tobacco using laboratory techniques.

The Delhi Experimental Farm has endeavoured to correlate many of these tests to visual quality factors with some degree of success.

Goals in Plant Breeding Program

The present goals of the flue-cured tobacco plant breeders are to produce varieties that are resistant to the prevalent diseases or disorders in Ontario, such as black root rot, brown root rot and weather fleck, and to have on hand strains and varieties which cover a wide range of variations within the required chemical, physical and visual characteristics of leaf. These are necessary for fast adaptation to the ever changing requirements of the tobacco manufacturing industry and the consumer.

The quality of the cured leaf can be bred into varieties but the heritabilities and the mode of inheritance of such characters that are involved are in most cases not known. Also, satisfactory methods of effective screening of the segregating populations for various quality characteristics are either not available or they are too cumbersome to be used in practical plant breeding. A few of the problems faced by plant breeders are as follows:

- (1) Mode of inheritance and heritabilities such as:
 - (a) physical characteristics, such as lamina weight (or tissue density), filling power of cut tobacco, shatterness, tensile strength, leaf shape, stem size, color and rate of burn;
 - (b) chemical properties such as alkaloids, sugars, nitrogen and nitrogenous compounds, ash, polyphenols, and lignin;
 - (c) aroma and flavor, an extremely difficult problem, with little information in the literature;
 - (d) resistance to oxidants (weather fleck);
 - (e) resistance to diseases caused by viruses, bacteria and fungi;
 - (f) qualitative characters which are often conditioned by major genes, such as color aberrations, leaf deformations, and a number of other mutations spontaneously occurring from time to time and frequently being deleterious in character.
- (2) Study of inheritance of various characteristics such as:
 - (a) aroma—the aromatic substances must be identified;
 - (b) resistance to diseases—the causative organism and its races if any must be identified and sources of resistance found;
 - (c) quality—knowledge is needed on the interaction between physical, chemical and the genotype;
 - (d) histological characteristics—knowledge of histological characteristics of the plant in relation to various physical and chemical properties of the leaf.

(3) Study of breeding methods, such as:

- (a) usage of the first filial generation for commercial growing;
- (b) application of male sterility in seed production;
- (c) earliness in maturation;
- (d) change in physical and chemical properties of the leaves in certain positions on the plant.

Moisture Equilibrium of Tobacco

The rate of absorption and water holding capacity of flue-cured tobacco is extremely important to the grower, the processor, and the manufacturer. The hygroscopicity of tobacco is known to be affected by variations in varieties, irrigation, fertilizers, cultural practices, growth inhibitors, leaf position, etc. To produce desirable quality moisture equilibrium is extremely important to the plant breeder, nutritionist, plant scientist, and plant physiologist.

Damping-off Disease in Seedbeds

At present damping-off is the most troublesome seedbed disease. An estimated 70 per cent or 3,000 growers have difficulty with this disease each year. Damping-off may be prevented by proper watering and ventilating greenhouses but often is not properly carried out by many growers. Morton's soil drench has been the most effective material for damping-off but in a few cases has caused leaf distortion. There is no apparent explanation as to why damage has appeared in a few cases but not in others.

"Stem Rot" of Transplanted Seedlings

For several years there has been a considerable amount of "stem rot" soon after the seedlings are transplanted into the field. It appears that certain soil borne organisms play an important part in this disease. "Stem rot" of tobacco causes stunting or even death to plants, resulting in uneven stands, maturity and curing.

Alternaria Disease in Tobacco

Alternaria longipes is generally considered the cause of brown spot in tobacco. This disease has caused considerable damage in recent years especially since the introduction of irrigation. Tobacco growers are well aware of leaf spots since the auction method of selling has been instigated and where tobacco severely leaf spotted is marked by a special factor.

Chemical Sterilization of Seedbeds

An estimated 15-20 per cent of the flue-cured tobacco growers are now using either AA-50 or Vapam (VPM) to sterilize their seedbeds. The ease and economy of this method is attractive to the grower. These materials generally have been giving satisfactory results, but in 1963 a number of difficulties were encountered. In many greenhouses patches of pale yellow seedlings with apparently healthy roots were observed. The application of nitrate of soda or other nitrogen fertilizer improved some of these cases. This would indicate that the nitrogen requirements may differ, and that the soil organisms have been affected. Also, the control of black root rot has not been thorough with chemicals.

Weed Control in Tobacco Using Herbicides

Preliminary investigations are in progress at Delhi on new herbicides for controlling weeds in flue-cured tobacco. Some herbicides appear quite promising

but further testing is necessary to determine if they have an effect on quality, especially the smoking characteristics when manufactured into cigarettes. Several companies are quite interested in promoting promising herbicides.

Bulk Curing and Handling Tobacco

Curing flue-cured tobacco in bulk was started at Delhi in 1960 using small controlled chambers. Later this was expanded to comparing a bulk curing unit made by Alkon Industries, N. C. and a conventional oil-fired unit. This method of curing is being investigated to reduce labour costs while harvesting and preparing tobacco for market. Future investigations are to test a bulk curing kiln that will include improvements in construction, loading, and storage. If bulk curing is successful it should be possible to reduce the cost of handling tobacco by nearly half at the kiln and in the strip room.

Soil Problems

Several studies should be conducted involving soil research on flue-cured tobacco including crops that are most adaptable for rotation with flue-cured tobacco; an inventory of the tobacco soils with respect to the availability of the major, secondary and minor elements; determinations of the specific effect of all elements required for growth on the quality of leaf grown on all soils types used for tobacco over wide climatic conditions; and the effects of various soil physical variables on the quality of tobacco, such as the effect of deep cultivation versus no cultivation. Research is also required on methods to improve procedures for estimating the level of nitrogen which become available to the tobacco plant under various climatic conditions.

Production of Suitable Seedlings

A study is in progress at Delhi to produce strong healthy seedlings for improving the yield, quality and maturity of tobacco. Plants are being grown in cubicles of muck and planted into the field, thus retaining the maximum amount of the root growth and soil within the cubicle. This has been accomplished with normal seedlings as to yield, quality and maturity. If successful, this method could give an earlier maturing plant, more uniformity among plants, better texture and earlier maturity. In addition, this method lends itself to improvements in mechanization at transplanting time.

Harvesting Machinery

Production of flue-cured tobacco is too costly in Canada to compete on the world markets except on quality basis. Harvesting methods are about the same as those originally introduced in the early 30's on most farms in Ontario. Some small machine shops throughout the tobacco growing areas have been working on new methods to aid priming but as yet only a few of these machines have been adopted by growers. Engineers at North Carolina State College have been conducting investigations on harvesters with some degree of success but still considerable work must be conducted before a suitable machine is developed.

Plant Environmental Studies

A systemic study of the growth characteristics of the tobacco plant should be carried out to provide basic knowledge for research in various fields on improvement of yield and quality of flue-cured tobacco. This work would have to be conducted in environmental controlled rooms. If facilities were available, chemical constituents and physical, chemical and physiological properties of plants from the seedling stage to maturity would be determined. In connection

with leaf maturity, extensive chemical analysis could be conducted in an attempt to isolate and identify the chemical agents that are associated with flavor and aroma. This is a broad, complex and difficult field, but it is believed that the results from this work would lead to a basic understanding on growth of tobacco and how environmental conditions affect yield and quality.

Future Nematode Studies

Although nematodes are not an immediate threat to the production of flue-cured tobacco in Ontario there are indications that the root lesion nematode *Pratylenchus penetrans* is more widespread than 10 years ago. From 1 to 2 million pounds of tobacco annually are lost due to nematodes, with greater damage to some farms than others.

There are four areas where future research is required, namely chemical control, rotations, resistance and ecology. Present nematicides are fairly satisfactory, but expensive and sometimes phytotoxic. New materials, submitted for registration as nematicides for this crop should be tested for effectiveness in this region as well as effects on the quality. There is no doubt that the nematode does build up on the roots of rye. It is likely that other crops could be found that would be suitable in the rotation and would not allow the populations of the nematode to increase. New lines of tobacco should be tested for tolerance to the root lesion nematode. This would be the most permanent solution to the nematode problem. This is a very important area for future work in the ecology of the nematode *Pratylenchus penetrans* in tobacco. Very little is known about this nematode in tobacco soils. The effects of winter and summer temperatures, soil moisture, soil type, cropping practices, and cultural practices on the population of the nematode should be studied. At present there is no way of predicting population shifts from year to year and it cannot be explained why severity of the problem differs so widely in the same field between two crops of tobacco. As more information is obtained on the ecology of this nematode, it may be possible that one could predict disease severity with some accuracy.

3

HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964

STANDING COMMITTEE

ON

Agriculture and Colonization

Chairman: RUSSELL C. HONEY, *Esq.*

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

Respecting

PRODUCTION AND PROCESSING OF TOBACCO

THURSDAY, JUNE 18, 1964

WITNESSES:

From The Ontario Flue-Cured Tobacco Growers' Marketing Board:
Messrs., P. G. Newell, M.C., B.S.A., John Sprau, George Demeyere and
C. N. Heath, Secretary of the Board.

From the Department of Agriculture: Dr. Norman A. MacRae, Research
Coordinator (Tobacco).

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1964

STANDING COMMITTEE
ON
AGRICULTURE AND COLONIZATION

(Chairman:.) RUSSELL C. HONEY, *Esq.*

(Vice-Chairman:.) PATRICK T. ASSELIN, *Esq.*

and Messrs.

Alkenbrack,	Gauthier,	Moore (<i>Wetaskiwin</i>),
Armstrong,	Gendron,	Mullally,
Barnett,	Groos,	Nasserden,
Béchar, d,	Gundlock,	Noble,
Beer,	Horner (<i>Acadia</i>),	O'Keefe,
Berger,	Horner (<i>The Battle-</i>	Olson,
Brown,	fords),	Peters,
Cadieu (<i>Meadow Lake</i>),	Howe (<i>Wellington-</i>	Pigeon,
Cardiff,	Huron),	Rapp,
Choquette,	Jorgenson,	Ricard,
Crossman,	Kelly,	Rochon,
Cyr,	Konantz (<i>Mrs</i>),	Roxburgh,
Danforth,	Lamb,	Southam,
Dionne,	Langlois,	Tardif,
Doucett,	Laverdière,	Temple,
Drouin,	Lessard (<i>Lac-Saint-</i>	Vincent,
Émard,	Jean),	Watson (<i>Assiniboia</i>),
Éthier,	Madill,	Watson (<i>Châteauguay-</i>
Forbes,	Mather,	<i>Huntingdon-Laprairie</i>),
Forest,	Matte,	Whelan—60
Forgie,	McBain,	

D. E. Levesque,
Clerk of the Committee.

(Quorum 20)

MINUTES OF PROCEEDINGS

THURSDAY, June 18, 1964.

(4)

The Standing Committee on Agriculture and Colonization met this day at 9.40 o'clock a.m. The Chairman, Mr. Russell C. Honey, presided.

Members present: Mrs. Konantz and Messrs. Asselin (*Richmond-Wolfe*), Beer, Brown, Cadieu, Cardiff, Choquette, Danforth, Dionne, Doucett, Drouin, Énard, Forest, Gendron, Groos, Honey, Horner (*Acadia*), Howe (*Wellington-Huron*), Lamb, Matte, Moore, Mullally, Noble, Olson, Peters, Pigeon, Rapp, Roxburgh, Tardif, Watson (*Assiniboia*), Whelan—(31).

Witnesses: From The Ontario Flue-cured Tobacco Growers' Marketing Board: Messrs. P. G. Newell, G. A. Demeyere, John Sprau and Mr. C. N. Heath, Secretary of the Board. *From the Department of Agriculture:* Dr. Norman A. MacRae, Research Coordinator (Tobacco).

At the request of Dr. MacRae, the Chairman read a correction to Evidence No. 2 of June 11, 1964, as follows:

At the middle of page 42 in answer to a question by Mr. Horner (*Acadia*), Dr. MacRae said: "That amount would represent approximately 15 to 20 per-cent of cigar tobacco consumed in Canada".

This should read "30 percent".

The Chairman introduced the witnesses and Mr. Newell read his brief on behalf of the Board.

The Committee proceeded to the examination of the witnesses.

Mr. Pigeon moved, seconded by Mr. Roxburgh,

That it is urgent that the Minister of Agriculture give immediate consideration to the recommendations made by The Ontario Flue-cured Tobacco Growers' Marketing Board.

The Chairman ruled that all witnesses should be heard and the evidence studied by the Committee before any recommendations be made to Parliament.

It was *agreed* that the said motion stand until the Committee considers its Report.

The questioning of the witnesses being concluded, the Chairman thanked the witnesses for their brief dealing exclusively with Flue-cured Tobacco.

At 12.05 o'clock p.m. the Committee adjourned to 9.30 a.m. Thursday, June 25, 1964.

D. E. Levesque,
Clerk of the Committee.

EVIDENCE

THURSDAY June 18, 1964

The CHAIRMAN: Order. We have a quorum and we can get underway quickly this morning.

Before we proceed with the introduction of the witnesses, there is a correction to be made in the proceedings of last week's hearing and I merely want to do this so it will be on the record. On page 42, Mr. Horner (Acadia) asked the question: "What percentage of the Canadian consumption of cigar tobacco would that amount represent?" Dr. MacRae answered: "That amount would represent approximately 15 to 20 per cent of cigar tobacco consumed in Canada." Dr. MacRae advises that the correct answer should be 30 per cent instead of 15 to 20 per cent.

Mr. HORNER (*Acadia*): That is imported tobacco?

The CHAIRMAN: You can read that in the context of the questioning.

We are pleased to have representatives this morning from the Ontario Flue-Cured Tobacco Growers' Marketing Board. I want to introduce them. At the end of the table, Mr. John Spray, the vice chairman of the board; Mr. George Demeyere, the immediate past president of the board; Mr. Charles Heath, who is secretary of the board and, on my immediate right, Mr. Peter Newell M.C., B.S.A. who will present the brief to the committee this morning.

I want to just say a word about Mr. Newell because I personally am particularly pleased that he is here because he is a tobacco farmer from my riding.

He is a graduate from the Ontario Agricultural College at Guelph in 1935, specializing in botany. From 1935 to 1939, he was engaged in doctorate studies at the University of Toronto, majoring in plant pathology, while doing research work in tobacco diseases. He discontinued his university and research work during the war serving with the Canadian Army and in the fall of 1945 he moved to the Port Hope district where he has, since that time, been actively engaged in tobacco farming.

Mr. Newell, on behalf of the board, will present the brief this morning. I have had an opportunity of reading through it and I think it is a particularly fine brief. It is not very long and if the committee agrees, I would like to suggest that Mr. Newell read it through with us and then we can proceed with the questioning. Is that agreed?

Agreed.

Mr. Newell, please.

Mr. P. G. Newell (Director, Flue-Cured Tobacco Growers' Marketing Board): Mr. Chairman, gentlemen:

A Brief showing the necessity for increased facilities, personnel, and operational expenditures for intensified research on Flue-Cured Tobacco.

"The basic goal of all agricultural policies should be to improve the position of the Canadian farmer in the national economy—and to promote efficiency of production". This is a statement made recently in the House of Commons by the Honourable Minister of Agriculture with which we all agree. The most important way to promote efficiency of production is through increased and intensified agricultural research. The technology of farming is changing rapidly throughout the world. The success of agricultural efforts within any country

depends largely on concentrated and co-ordinated research programmes in the field of not only of production but of marketing, processing and engineering. The quality of the present agricultural research in Canada is excellent. However, it is apparent that Canada is not keeping apace with the other countries of the world. Dr. J. A. Anderson, Director General of Research for the Department of Agriculture made a statement before this Committee. He said—"that we are possibly doing something in the order of less than one-twentieth of the work in this country than is done in the United States. We simply do not have the resources in Canada to tackle all the problems which face the farmers in this country". This a truthful but amazing statement. If the current trend persists that the farmer is not to have the benefits of agricultural supports and subsidies, then it is vital that resources be made available so that Canadian agriculture can be stimulated and advanced by a research programme at least the equivalent of most other countries.

Our three main competitors for the world export market of flue-cured tobacco—the United States, Rhodesia and India have made a rapid expansion of research endeavour in recent years for the primary purpose of improving their production and quality. Rhodesia now has a professional research staff of more than thirty. North Carolina has more than tripled the number of its research personnel in recent years. India has significantly increased its tobacco research establishments.

Flue-cured tobacco comprises 93 per cent of all tobacco grown in Canada, yet only some six scientists are doing full-time research on this crop with an annual budget of one hundred and eighty thousand dollars. Flue-cured tobacco has reached an annual market value of a hundred million dollars. Taxes on tobacco in 1963 provided the Federal Government with four hundred and twenty million dollars or 7 per cent of the Federal budgetary revenue. The annual cost of tobacco research to the Canadian Government is estimated to be about three hundred and seventy-five thousand dollars, not one percent of the Federal Government's take in taxes. No apology is made to the critics who say "if you didn't grow tobacco we would import it". Tobacco is an important source of Federal revenue no matter who pays the tax. Let it be remembered that ten thousand agricultural workers are employed full time in tobacco growing with an additional forty thousand workers being added for seasonal employment on the farms. Approximately ten thousand people are employed by the Canadian tobacco companies in processing and manufacturing tobacco products. Also there are ninety thousand retailers; twelve hundred wholesalers and distributors and thousands employed in trucking, shipping, advertising, and producing packaging materials for the trade. All these Canadians are dependent in whole or in part on tobacco for their livelihood.

Why is an immediate expansion of flue-cured tobacco research so vital to the tobacco farmer? Because with today's turn of events, adaption, modifications and improvements may have to be made in the cigarette to counteract or comply with the new demands of the smoker and of the Government. Most people are continuing to smoke irrespective of statistical surveys mainly because they enjoy smoking and it is a way of relieving nervous tension and reducing the anxiety complex. However, there is a public responsibility to determine if there is an unknown compound present in tobacco harmful to health and if present, how may it be eliminated? . . . Essentially the answer is additional research from the seed to the smoke.

Cultural practices used by the farmer such as fertilization, choice of varieties, irrigation, cultivation, suckering and curing greatly affect the chemical and physical properties, the flavour and aroma of the leaf. Intensive research is now necessary to keep the farmer abreast of the present ever-changing requirements of the consumer and the domestic and foreign cigarette manufacturers.

The export of Canadian flue-cured tobacco can be helped by research today more than ever before. Tobacco export buyers at this time want to know of the chemical and physical factors such as nicotine content, nornicotine, total sugars, total nitrogen and moisture holding capacity. The relation of total sugars to nicotine determines whether the smoke will be good, harsh or insipid. Just three weeks ago the Tobacco Growers' Co-operative at Kingsville, Ontario sent some fifty samples to the Experimental Farm at Delhi for analysis so that they could comply with a request from an export buyer. At the moment buyers generally require a leaf with about 2 per cent nicotine and 18 to 20 per cent sugar content.

Never has a flue tobacco plant breeding programme been as urgent as it is today. Strains and varieties which cover a wide range of variation within the required chemical and visual characteristics of the leaf should be on hand for distribution if required by a changed consumer demand. These same strains must also be resistant to the disease complex prevalent in Canada. Breeding must be continued to improve the flavour and aroma of Canadian flue tobacco. A detailed study by bio-chemists of the volatile oils in the cured leaf is urgent and why the flavour and aroma improves with aging. The content of the cigarette must be examined closely. The domestic industry has increased the usage of stem material. They have developed 'reconstituted' or 'homogenized' sheet tobacco utilizing stem material and all the fine particles of tobacco produced in the manufacturing process. Chemical tests should be made to determine the adaptability of stem material. Thorough studies must be made respecting the quality of tobacco as a raw material, also the effect of aging on both leaf and stem. The bio-chemical studies should be concerned with the smoking and other qualities of the leaf. Factors which may have to change rapidly depending on the consumer smoking desires and the need to meet certain trends in smoking habits.

Flue-cured tobacco is the only farm product where the farmer not only grows his crop but where he partially processes the crop through flue-curing. This heat process reduces enzymatic fermentation. This is said to produce a more acid smoke than cigar or pipe tobacco. Now with the stress being placed on chemical analysis, the importance of this forced enzymatic fermentation curing process is much greater. The whole process of flue-curing tobacco may have to be carefully re-investigated by both applied and basic research scientists. Lower and slower temperature curing may be necessary. Because of our rigorous Canadian climate, farmers encounter greater crop growth problems than in other countries. Earliness and crop maturity are important problems facing the farmer. Further growth studies are essential such as: 1. Uptake of phosphorus by the tobacco plant; a growth phenomena significantly affected by low soil temperatures in the spring resulting in delayed maturity. 2. The production of healthy early plants free from injury from low temperature, pathogenic organism such as the black root rot fungus. 3. Potash assimilation and its effect on the synthesis of sugar and starch in the leaf.

As with other farm crops the development of resistance to insecticides is a major problem in tobacco growing today. Theoretically the agricultural scientist should be ten years ahead of the farmer by anticipating problems that may arise and to have prepared the basic information needed to produce the practical answer. This is not happening. In 1964 flue-cured tobacco growers have had to revert to a system of killing insects by digestive action through the use of poison baits, a method in common practice fifteen years ago. Because of the use of the recommended insecticides during the last eight years, accelerated populations of resistant cut-worms, root maggots and wire worms are ravaging the crops today.

Today, gentlemen, in some areas that word "ravaging" is by no means exaggerated.

Development of cyclodiene resistance in the sand hill cutworm in about five years and in the dark-sided cutworm in about eight years is unusually rapid. It is in the realm of possibility that resistance to DDT which is being used in poison baits today may develop in an even shorter period of time. There is a danger of the day coming when no suitable new insecticide may be available. The effectiveness of microbial insecticides and insect parasites must be investigated. Root maggots have attacked flue tobacco in an increasing number from 1958 to 1961. Soil treatments applied for the control of cutworms have developed resistant strains of root maggots. Only one insecticide, diazinon, is known today which will effectively protect tobacco from root maggot attack. The only other solution is for the farmers to plant late in the season and miss the infestation period of the insect. In 1962-63 the crane fly larvae attacked tobacco for the first time. No information is available on control and serious losses may be expected by the farmers while control measures are being investigated.

The production of flue-cured tobacco in Canada today is too costly. To be completely competitive, the flue-cured tobacco farmer must be shown how he can reduce production costs. Wages constitute more than fifty percent of the cost of producing flue-cured tobacco in Ontario, a factor that should be considered when allotting funds for non technical help on a tobacco experimental farm. More than four hundred manhours are required to produce an acre of tobacco. An acre of wheat requires about eight manhours; all of it mechanical. It should be remembered that the manhours in tobacco are hard hand labour. There is the great need for technological research and advice on the mechanization of the tobacco crop. Harvesting methods have not changed appreciably in the last thirty years. Bulk curing, if perfected, would mean a great saving in the cost of harvesting.

Control of sucker growth is one of the most important problems faced by the tobacco farmer. Labour for hand suckering is expensive and hard to obtain. Neglects in suckering produces a pale, slick, light-bodied leaf not wanted by the trade. A chemical, maleic hydrazide, has been used with great success in the United States and Canada to inhibit sucker growth, however, because of systemic absorption the down grading of certain chemical properties, important to the flavour and smoking qualities and the reduction in filling capacity of the cigarette by treated tobacco, the use of this chemical has been discouraged in Ontario. Sucker control by means of satisfactory growth inhibitors is a field where increased immediate research is urgent.

Air pollution affects the growing of tobacco. The tobacco plant has a very sensitive leaf; it is extremely susceptible to the environmental complex. Since 1955 tobacco farmers, more particularly those who produce their crops in close proximity to the north shores of Lakes Erie and Ontario, have suffered multi-million dollar losses owing to a leaf disorder commonly known as "weather-fleck". A crash research programme was instituted by a group of scientists from the Plant Research Institute, Ottawa, the Occupational Health Division, Department of Health and Welfare, the Ontario Department of Health, the Ontario Research Foundation, the Meteorological Branch, Department of Transport, the Experimental Farm at Delhi and the Research Station at Harrow, Ontario. This team of scientists after about two year's work, when they concluded their investigations, revealed that ozone was the primary cause of weather fleck, aided by suitable weather conditions, prevailing breezes and the critical stages of leaf maturity. The wind carries air pollutants from densely populated areas in the northern United States, from the heavy industrial areas along the south shores of Lakes Erie and Ontario, and from our own 'Golden Horseshoe' industrial belts to the tobacco growing area. It is considered that air borne oxidants and hydrocarbons in the sunshine catalyze

ozone formation. When these air pollutants can damage the tobacco to the extent of a thirty-million pound loss since 1955, we wonder rather apprehensively if it is not possible that the same oxidants and hydrocarbons distributed by factories, trains, trucks, cars and buses might not cause damage to humans living in the urban areas. Research during the war proved that pilots were affected by ozone at high altitudes. In an attempt to purify the air of this continent we would welcome joint action by the Governments of North America. We suggest it might provide a tangible and far reaching method of improving the nation's health and at the same time furnish a control measure for the weather fleck disease of tobacco.

The whole tobacco industry is seriously concerned by the appearance of grey tobacco in Ontario during the past few years.

Mr. Chairman, I have some samples here. This is a sample of grey tobacco (showing). This is a sample of some of the finest cigarette tobacco in the world, produced in Ontario.

The CHAIRMAN: I think maybe the members of the committee would like to see these. The grey tobacco is tagged; the good tobacco is not. Thank you, Mr. Newell.

Mr. NEWELL: I continue. The grey leaf of flue-cured tobacco is a physiological disorder thought to be caused by improper nutritional and growing conditions. This physiological disease has caused considerable economic loss on many individual farms throughout Ontario. Eight years ago the incidence of grey tobacco was known on three farms in the Durham-Northumberland area, however, during the 1962 season grey tobacco occurred on some forty farms and in 1963 it appeared on farms scattered throughout the whole southwestern Ontario tobacco belt. Owing to the increase in the prevalence of grey tobacco, the Ontario Flue-Cured Tobacco Growers' Marketing Board were forced to create eleven "K" grades in which this type of tobacco was, in 1963, specifically placed at a price disadvantage of some twelve and a half cents a pound. Another very serious aspect of this condition is that export buying companies cannot find a place for grey tobacco in their trade and steer strictly away from it, and also from any other tobacco that has any suggestion of being paled, washed out or grey. Additional, immediate experimental research on this tobacco disorder is vital and should be undertaken in the immediate area it occurs, owing to a marked difference in the environmental complex.

Tobacco plant disease research in recent years has been confined, and the word confined is used here literally, to root rot investigation. A more active pathological research programme was being carried on by the Federal Government twenty-five years ago than is the case today. The disease work that is in progress is being conducted by research men hundreds of miles away from the main flue-cured belt. Not one scientist today is working full time on tobacco disease investigations. Black root rot is becoming increasingly prevalent. Tobacco attacked by root rots in the early growing season does not mature properly in the fall. Farmers cannot afford the consequent loss of quality and yield. Great advances are being made in the area of field soil fumigation to control plant disease organisms and nematodes. Funds will have to be made available to keep Canada abreast of these advances in soil microbiology. Pathological research should not be confined to root investigations, it should be expanded to cover leaf spots, stem rots and virus disorders. Flue tobacco farmers are being forced to diversify the crops being grown on their tobacco land. Undoubtedly in the future, this will cause a complication of the diseases attacking tobacco. A recommendation was made by the pathologists for the tobacco farmers to use a mercuric soil drench in their seed beds in 1964 to control the damping-off disease. This has not proved altogether satisfactory and surely more research should be done on the amount of mercuric absorption by

the leaf. It is essential that plant pathologists conduct plant disease surveys throughout the tobacco growing areas in Canada so that everyone may be acquainted with the actual plant disease situation.

The use of hybrid seed has been particularly profitable to many farmers. Hybrid corn seed is an excellent example. The use of such seeds is now being used in burley, dark and cigar wrapper types of tobacco. Plant breeding research must be extended to produce such seed for the flue-cured tobacco farmer. To reduce hand labour in tobacco growing, such as hoeing and hoe cultivating, more extensive use will have to be made of herbicides. It appears that because of lack of Government personnel to test various herbicides Canada is here again lagging behind research advances in England and the United States. Several companies are interested in promoting herbicides but are held back by lack of testing facilities in Canada. Market research studies and the cost of production studies should be conducted by agricultural economists. It appears that this is a field of endeavour that should be stressed more in all Canadian agriculture.

May The Ontario Flue-Cured Tobacco Growers' Marketing Board respectfully repeat a statement from the report of The Ontario Flue-Cured Tobacco Industry Inquiry Committee released in February 1964 after one year's intensive study, quote "Despite the excellent quality of the present Government Tobacco Research program the Committee concludes that it still is inadequate to serve fully the present needs of the flue-cured industry or to provide for its expansion. Additional funds and professional assistance are required to expand and develop research in almost every aspect of flue-cured tobacco production".

Owing to the urgency of the situation both for the present for the future, it is evident to the Growers' Board that the existing buildings and experimental facilities at the Delhi Tobacco Experimental Station should be at least twice what they are today. Also that a research staff, including entomologists, pathologists and bio-chemists should be added to the Delhi staff along with sufficient technical staff. This might involve an outlay of some six hundred thousand dollars on new buildings and new experimental facilities; and also an annual budget of some three hundred and fifty thousand dollars instead of the present one hundred and eighty thousand dollars.

An annual amount of only twenty-four million dollars is allotted Federally to all agricultural research across Canada, however, forty million is spent on a butter subsidy. Flue-cured tobacco has never cost the Canadian taxpayer one dollar in supports or subsidies. Now the tobacco is supposed to be under some sort of a cloud and there is a sense of public responsibility, surely this is the time to make funds available for increased tobacco research.

The CHAIRMAN: Thank you. I know all the members want to compliment you on that very excellent brief and I know the members will have some question arising out of the brief or their own concern about tobacco research.

Mr. DANFORTH: Mr. Chairman, I certainly would like to congratulate these gentlemen on this brief that they have here this morning. They certainly have covered the field completely. But I was amazed by the amount of money that is concerned in the tobacco industry. I think the figure given was around \$100 million. Now this, as I understand it, is the value of the tobacco marketed. Is that the figure, \$100 million, approximately?

Mr. NEWELL: Over the past years.

Mr. DANFORTH: Yes. This is money that is received by the producers for their tobacco at the tobacco auction?

Mr. NEWELL: That is correct.

Mr. DANFORTH: Thank you. Now, why I asked that question is because of the fact that we have had evidence that in Rhodesia and in other countries,

the maximum amount of money that is provided for research facilities comes from the industry itself—the producers. Now, out of that \$100 million that the producers receive, how much goes back for any kind of research investigation or experimentation on their own industry?

Mr. NEWELL: I am very glad you asked that question and I will answer it this way: In 1962, the flue-cured farmers ran into marketing difficulties. We had a crop surplus. Each tobacco farmer had to pay to the board two cents a pound for every pound of tobacco he sold. This amounted to over \$3 million. This we used to finance our own crop surplus and the tobacco farmer is probably going to lose it. Now, can you tell me of one other crop in Canada, butter or pork, that the farmers themselves put up the money to finance their own surplus?

Mr. DANFORTH: Oh, yes. On the wheat, they do it every year. They take nine cents a bushel off. But what I am getting at is this: I realize that the farmers know of these problems, as this brief of yours illustrates, in no uncertain terms. I have been a tobacco producer myself. What I am asking is: Do the farmers contribute in any way towards experimental work as they do in Rhodesia and some of these other countries?

Mr. NEWELL: Rhodesia, I believe, is the only country in which that happens. I appreciate your question, Mr. Danforth and I have to frankly admit that we in Canada are the same as they are in the United States—that we contribute very little, financially, to research and neither does any other farmer with other crops.

Mr. DANFORTH: You do not contribute directly?

Mr. NEWELL: No.

Mr. DANFORTH: Do the factories in the industry contribute directly? I know that they do a lot of experimental work in the production end and blending. But do they contribute to the actual production problems of tobacco in the experimental field?

Mr. NEWELL: Yes. All tobacco companies are carrying on a great deal of research, more on the smoking qualities. But the Imperial Tobacco Company has financed—because of lack of government funds—they have assisted in financing at the Delhi experimental station. They have their own experimental farm close to Delhi and this year they are carrying on an experiment on shade-grown tobacco. They are importing seedlings from Connecticut to see if we can grow and improve some types of cigar tobacco.

Mr. DANFORTH: But they are, I presume, the one major company that is engaged directly in this type of work, as far as the production of tobacco is concerned?

Mr. NEWELL: Yes.

Mr. DANFORTH: Well then, would I be safe in saying that this would amount to less than \$100,000 a year or less than \$50,000 a year? Would I be safe in saying that their expenditure towards the experimenting in the production line would be less than \$100,000 or less than \$50,000 a year?

Mr. NEWELL: I would think you would, yes.

Mr. DANFORTH: I am trying to get the total spent in Canada on this sort of thing.

Mr. NEWELL: On flue-cured tobacco \$180,000. The total on all tobacco research is somewhere in the neighbourhood of \$375,000.

Mr. DANFORTH: Am I safe in assuming that as far as flue-cured tobacco, with this one experimental farm at Delhi, the major effort of this whole experimental farm is directed towards tobacco research?

Mr. NEWELL: Yes. This is 100 per cent a tobacco experimental station at Delhi.

Mr. DANFORTH: This is its major function?

Mr. NEWELL: It is the only function.

Mr. DANFORTH: Your estimate is that an expenditure of some \$600,000 would be needed to put it into a modern capacity to approach some of these problems?

Mr. NEWELL: To have the necessary buildings and experimental facilities. As you know, it is very expensive to build hospitals, because of the type of equipment that has to go in them. Well, with research they have to have some expensive equipment.

Mr. DANFORTH: Now supposing that we were able to provide these funds, have we any assurance that if these facilities were provided there is adequate personnel or staff to provide the necessary complement for the buildings and equipment, if provided?

Mr. NEWELL: I would suggest that this is a program that cannot all happen overnight. I do appreciate that a research staff is difficult to obtain, but I cannot see why we cannot obtain it in Canada, even if we have to go to the United States and just do the reverse and get some of their experimental research people up here.

Mr. DANFORTH: Mr. Chairman, I would like to ask one further question along this line and then I will pass. I realize that the tobacco industry is a major industry. I also realize that the tobacco industry needs help and it has one of the more close-knit associations of any agricultural commodity. In other words, you have more control over your commodity than most major crops in Canada today; yet, you are far from your peak production capacity. Do you suppose that if the government, which has tremendous demands on it for money in every area—do you suppose the producers would ever be in a position to match dollar for dollar or a portion of the tremendous outlay necessary to take care of the major problems of this crop? In other words, is it the feeling of the producers that the help must come entirely from the government or are they in a position to provide some help themselves and solicit some help from the major production companies? In other words, you gentlemen are here this morning to point out the fact that tremendous sums of money are needed, and I think every man in the committee appreciates that, but my question is this: Is it, in your thinking, that it must be a completely 100 per cent subsidy, as far as the government is concerned—if you do not like that word “subsidy”, you can substitute another for it—or do you foresee that it will be a joint effort or strictly a government effort?

Mr. NEWELL: At the moment, it will have to be strictly a government effort, for the simple reason that the tobacco farmer today, the farmer right back on the farm, is in a bad financial position. Many farmers are having difficulty even getting banks to finance them. This is partly because of lack of research. We have run into a few cold seasons, probably, where, as I mentioned, there is the problem of phosphorus up-take and varieties and what not, and it is also being caused by extreme lack of market research. Now, you give us the funds right now, put us back in shape; then it is in the realm of possibility in a few years that we can help out because the tobacco growers have shown that they can.

Mr. DANFORTH: The figure that sticks in my head is the fact that you have made a curtailment of maximum production of 55 per cent; is that correct?

Mr. NEWELL: That is correct, in acreage.

Mr. DANFORTH: Then in your answer to me, I would assume that if you could be placed in a position where you had a 25 per cent increase in maximum production, it would put the financial structure of the tobacco growers in a far different light?

Mr. NEWELL: Most definitely.

Mr. DANFORTH: Thank you, sir.

The CHAIRMAN: Thank you. Mr. Pigeon.

Mr. PIGEON: I must say that this is an excellent brief. I think you have covered all the problems which you face and in view of the fact that your industry means many millions of dollars in taxes for the provincial and federal governments, I think it is very important for government to take steps and at the end of this meeting, I have in mind to place a motion to ask the government to take immediate action and to increase the money for research in your interests. Now, I think this is an excellent brief and all of us will agree and you will have the support of all members of this committee. Now, I have two questions to ask you. What is the total production of tobacco? What was the total production of tobacco last year, in millions of pounds?

Mr. HEATH: Approximately 180 million pounds; probably 300,000 or 400,000 pounds under that.

Mr. PIGEON: How many thousands of pounds were unsold last year?

Mr. C. N. HEATH (*Secretary, The Flue-Cured Tobacco Growers' Marketing Board*): Half a million. I am talking about the 1963 crop.

Mr. PIGEON: Do you think if you increase the quality of tobacco by research that means you increase, automatically, the consumption of tobacco?

Mr. NEWELL: It will certainly increase our ability to export tobacco.

Mr. PIGEON: To export tobacco?

Mr. NEWELL: Yes.

Mr. PIGEON: Do you think with our prices we can face competition with Rhodesia and other countries?

Mr. NEWELL: In some of the types of tobacco we produce. There are many grades in tobacco.

Mr. PIGEON: Yes, I know.

Mr. NEWELL: And we can produce some grades that Rhodesia cannot produce, that the British market particularly want.

Mr. PIGEON: You mean low grades? Do you have a good market for B2?

Mr. NEWELL: BL2 or BL3 or BF4.

Mr. PIGEON: Do you think it is the responsibility of government to spend money to ask the Canadian people to stop smoking? Do you think that is a responsibility of the federal government or private enterprise?

The CHAIRMAN: Mr. Pigeon, I appreciate that this is an interesting question; however, I think I should protect the witness. I do not think we should ask him to get into this field. He can only express an opinion.

Mr. PIGEON: Yes. I should like to ask you another question, sir. Have you a problem with labour?

Mr. NEWELL: Yes, we do have labour problems. And even this year, with a smaller crop, it looks as though we are going to run into some difficulties. However, I would like to congratulate your Department of Labour. They have given us great cooperation through the years. They are sponsoring a movement of people from the maritimes to come down into the tobacco belts and we find that most of the maritime help and the help we rely on every year

that comes from Quebec, which is most essential to us—is very satisfactory. The Department of Labour assist in the movement and it is a great help to us.

Mr. PIGEON: To help you with the labour, do you think that it would be good for the government to amend the Unemployment Insurance Act, because we in Quebec are faced with this problem?

The CHAIRMAN: I think we are getting off the matter of research. I do not want to be confining, but I think, again, that you are asking the witness a question which has to do with his personal opinion on a matter of government policy that has no bearing on research.

Mr. PIGEON: Yes, but research is a matter of government policy too. These gentlemen are here and I think it is very important to cover all of their problems. I know they face a problem with labour and if they ask or recommend that we request the government to amend the Unemployment Insurance Act, if we can help them in this way, I think it is good.

Mr. OLSON: On the point that has been raised, surely the whole premise upon which the brief has been presented to us is based on the contention that the tobacco farmers are in financial difficulty and the arguments have been put forward in this brief that some of the reasons for this is because of lack of research. Surely, it must be within the ambit of this committee to try to find out if there are other problems that are also causing the tobacco farmers some financial difficulty at this time.

Mr. PIGEON: Do you think it would help you to have labour facilities if the Unemployment Insurance Act is amended to permit the labour to have unemployment insurance because we have this problem in Quebec?

Mr. NEWELL: I understand your question, Mr. Pigeon, and it is a good question. I will gladly give you a written answer later, after I have had time to consider it a little more.

Mr. PIGEON: Thank you.

Mr. DANFORTH: I have a supplementary question to Mr. Pigeon's question. Do you experience difficulty in obtaining labour? Is there always a scarcity of labour? Is this the reason for the extremely high wage rate per hour that you have to pay in the harvesting of tobacco and in the production of it?

Mr. NEWELL: No; it is not the whole reason.

Mr. DANFORTH: What is the reason for the high wage rate as compared to other fields of agriculture?

Mr. NEWELL: Because priming tobacco and suckering tobacco is the hardest hand labour that you will find in agriculture in Canada, I believe. Priming sand leaves is worse than picking tomatoes by hand.

Mr. DANFORTH: Well, anybody that has picked tomatoes, or some of these other things, would give you an argument on that and there are some of us here who have spent days and years suckering tobacco, so we are aware of this. But it seems to me that the wage rate in tobacco is, and I think you will agree, higher than in other fields of agriculture. I know that priming tobacco is a specialized type of work and everyone cannot do it. But there are other things, like tying and hanging and other fields in it, that do not require the same specific labour?

Mr. NEWELL: No. But, as you see, during the growing season we do not need as many people. Then suddenly at harvest you need somewhere between 15 and 20 extra people to come in on your farm and harvest your crop quickly before the frost comes and you have got to pay a premium.

Mr. DANFORTH: Then there is a scarcity of labour available. In other words, if you do not get a tremendous insurge of labour at a particular time, you would be in difficulty?

Mr. NEWELL: Yes.

Mr. DANFORTH: Then we are safe in assuming that the high wage rate is because of this very factor?

Mr. NEWELL: Not necessarily. As I said before, you pay a man for the hard work he does.

Mr. PIGEON: May I continue? I know the growers insure their crops with private companies. Do you think it would be less if your growers shared their agreement with provincial and federal governments to insure their crops?

Mr. NEWELL: I think that is a great probability, that it would be cheaper than.

Mr. PIGEON: Did you present a brief or something to the federal government to try to have an agreement in this field?

Mr. NEWELL: We have so many other difficulties at the moment to get cleared up first that that one will have to be one that comes later.

Mr. PIGEON: I have one last question. In your brief, you mention research, and so on, and more Ph.D.'s and masters degrees and you make a comparison with other countries. If our government increased the total money for research, do you think at the same time it would be good to have a bachelor's degree in agricultural science and to have a master's degree and a Ph.D.—to increase their salaries? Do you think that would help?

Mr. NEWELL: To increase the salaries of the present research people?

Mr. PIGEON: Yes.

Mr. NEWELL: It might, to some extent. But in previous evidence to your committee, I believe it was said that we have not lost any.

Mr. PIGEON: Thank you.

The CHAIRMAN: Mr. Whelan?

Mr. WHELAN: Mr. Chairman, first of all I would like to also add my voice of congratulations to the board for this brief. And I would think from the first statement in this brief and also your action of condoning what the Minister of Agriculture said, that if you go on further to what the Minister of Agriculture has said on research, you will find that he and the Department are all of the definite opinion that more research is needed in Canada for all agriculture and I feel quite sure that tobacco will enjoy some benefit as far as research in Canada is concerned, because he emphasized this when the estimates on agriculture came up in the house. Perhaps you read that speech in *Hansard*. That is where he said that research, so far as he was concerned, was one of the most important things in agriculture and we should concentrate our efforts on that.

One of the things I noticed in here confused me. For some time, we never used stems from tobacco in the actual process of making tobacco into cigarettes. Now, you are using stems. How long have stems been used in the production of cigarettes?

Mr. NEWELL: Well, it was about, I think, six years ago that the process of using some stem material in cigarettes and cigars was started. Two or three years ago, I believe the percentage was about $4\frac{1}{2}$ per cent. Today it is higher.

Mr. WHELAN: You have some doubts then, according to this. You say: "They have developed 'reconstituted' or 'homogenized' sheet tobacco utilizing stem material and all the fine particles of tobacco produced in the manufacturing process. Chemical tests should be made to determine the adaptability of stem material." Then you have some doubts of the stem material?

Mr. NEWELL: Yes, naturally, because no research has been done on it as far as published research is concerned.

The CHAIRMAN: Order, please, so we can hear the answer.

Mr. WHELAN: You talk about developments in hybrid corn. Do you feel there is a field here for tobacco?

Mr. NEWELL: Most definitely.

Mr. WHELAN: Definitely?

Mr. NEWELL: And in burley it is coming along very well.

Mr. WHELAN: One of the things I remember reading—and I see some of the things in your brief here in what you would call the Appendix A that has been added to the one you presented before on “arsenic in cigarettes linked to cancer?” And “arsenic not smoke may cause cancer”. I remember reading an article in the Reader’s Digest on mineral contents in soil having to do with the various so-called damaging products that are in tobacco. I would like your opinion on this. We have other people in agricultural production, fruit growers and that sort of thing, and they have been demanding leaf testing equipment to trace elements. Is this what you mean also in your expansion program for facilities so that you can go so far as to detect the trace element that the plant absorbs from the soil?

Mr. NEWELL: That is one phase that should be investigated. And, just sort of going along with your question there, Mr. Whelan, we, as tobacco growers, yes, are asking for money in increased research to benefit the flue-cured industry; but, at the same time, there is a public responsibility for the government to know what is in the tobacco leaf.

Mr. WHELAN: This is my opinion also. I heartily agree with you on that but I feel that this equipment that could be used for leaf testing for trace elements in tobacco could be utilized in a lot of other agricultural products as well, practically every one we grow. And I am 100 per cent in favour of this type of equipment, this type of promotion for research facilities in Canada. Now, one of the things that was brought up here was the wages in the tobacco field. Would you mind telling me what the wages are that are paid today for suckering tobacco?

Mr. NEWELL: It is quite often done by the acre and suckering is something that has to be done previous and during harvest. You have a number of people employed in the harvest and, so, sometimes suckering is quite costly. The cost of suckering tobacco will vary from \$20 to \$60 an acre.

Mr. WHELAN: And what would a man earn a day who was suckering tobacco?

Mr. NEWELL: Probably \$15 a day.

Mr. WHELAN: Well, then his wage is not out of line at all with tomato picking and blocking sugar beets. Those people can make \$25 a day?

Mr. NEWELL: Yes.

Mr. WHELAN: I know that they can make that, certainly in blocking sugar beets and I know that I have paid that much or more for tomato picking. So it is in line?

Mr. NEWELL: Yes.

Mr. CHOQUETTE: Sir, I wish to congratulate you on this very wonderful brief. It is very interesting. Now, if you please, I would like to ask my questions in French.

Mr. CHOQUETTE (*interpretation*): I see in your memorandum that there are at the present time six scientists who are engaged full time in the field of research. Is this restricted number due to the fact that it is impossible to find people who are sufficiently competent in the field of research? Is it due to the fact that government help is insufficient?

Mr. NEWELL: To answer the first part of your question, I feel that it is not impossible to get people to do research, that there are people available that can be brought into tobacco research. And, most definitely, to answer the second part of your question, the reason we have only six people doing research in this industry is because of lack of funds.

Mr. CHOQUETTE (*interpretation*): In other words, with government assistance which was much greater you would be able to train personnel that would be competent and a larger number of scientists. Some time ago, the provincial minister of agriculture of Quebec told me that in applying the ARDA program that he was ready to cooperate 100 per cent, but that at the present time he could not find people who were sufficiently competent—he did not have enough people who were trained in agriculture and had their Ph.D.'s, who would be able to bring the ARDA program into effect. That is why I put the question.

Mr. Chairman, there is no recording, no translation coming through the earphones.

The CHAIRMAN: One moment, Mr. Choquette until we have this fixed.

Mr. CHOQUETTE (*interpretation*): Mr. Chairman, without any animosity towards anyone, I would point out to our technicians that each time we ask for French questions, some technical difficulty arises.

Mr. Chairman, I would like to direct another question to the witness. You are aware of the famous ARDA program. I had put the question at the time of the last session when another witness appeared and I asked him whether there was a possibility of integrating a research program on tobacco in the ARDA program which is, as you know, directed to orienting agriculture, to assisting agriculture where agriculture is not giving the economic yield which it should. Could you integrate the tobacco research program with the ARDA program?

Mr. NEWELL: I agree with you, sir, that there is a good possibility of some co-ordination.

Mr. CHOQUETTE (*interpretation*): I am very glad of your reply. I am glad that you see a possibility of harmonizing the two programs, bringing them together. I even intended to propose a resolution in that sense in view of its being adopted by the committee, because you are the second witness to confirm the possibility of co-ordination between the tobacco research program and the ARDA program.

Now, I refer to page four of your memorandum in which you emphasize the bio-chemical analysis of the production. Has there been considerable progress, over the past 25 years, in regard to the improvement of tobacco?

Mr. NEWELL: As far as Canadian biochemical research is concerned, I would say no great progress.

Mr. CHOQUETTE: Has there been progress in any terms in the quality of tobacco which was smoked 25 years ago? Was it just about the same quality as the quality of the tobacco which smokers enjoy today?

Mr. NEWELL: No, sir. There have been great improvements in cultural practices, in varieties, in fertilization, in irrigation, so that the actual quality of the tobacco has been greatly improved. But possibly I confused your question when you said had there been great advances in biochemical research. There has been in other research, but I do not think particularly in bio-chemical research because it has not been emphasized.

Mr. CHOQUETTE: Now, if, as you state on page four of your memorandum we should go further into chemical analysis, is this recommendation made with a view to ensuring that tobacco which is smoked be not prejudicial to health? Can I make my question more definite and precise: Are you insisting so much

on research in the field of tobacco and emphasizing bio-chemical studies for the purpose of making sure that smokers will not be harmed by smoking tobacco? Can we say today that the quality of tobacco is such that a smoker smoking all his life is going to endanger his health? Is the quality of tobacco such that a smoker smoking today is going to endanger his health?

Mr. NEWELL: It is only natural that we are going to try to please and satisfy the people that are using our product. We want to produce the best product of its kind in the world. All other countries are concentrating, because we are supposed to be under some sort of a cloud, on this type of research, so we have to do it too.

Mr. CHOQUETTE: I would like to reassure you that I cannot be an advocate of the crown here, an advocate bringing charges. I merely want to clarify the situation because statements have been made suggesting that we are only going into the question of whether tobacco may harm health due to reports made public in the United States. And, in consequence, I was wondering whether in this text you are recommending that so much vigorous chemical analysis be done on tobacco and only tobacco because tobacco might be prejudicial to the health of the smoker? However, from your reply I see that it is, rather, the quality of the tobacco that you wish to improve and that is perfectly normal. In other terms, I wanted to know whether it is the quality of the tobacco that you are seeking to improve? Is it because you were trying to improve the tobacco for economic reasons or hygienic reasons? It is probably for both reasons.

Mr. NEWELL: I would say for both reasons, definitely. You see, nothing has been proven. So, to satisfy the public, we want bio-chemists to do research and tell us if this thing is present which no one in the United States or any place in the world has identified. We want to know what it is.

Mr. CHOQUETTE: Yes.

Mr. NEWELL: So if it is there we can do something about it.

Mr. CHOQUETTE: Thank you very much, sir.

The CHAIRMAN: Thank you, Mr. Choquette. I have Mr. Roxburgh, Mr. Brown, Mr. Emard and Mr. Olson. Mr. Roxburgh is first.

Mr. ROXBURGH: Mr. Newell, before I ask the question, Mr. Danforth asked a couple of questions to which I should like to refer. He asked you, for example, if the tobacco farmers were in a position to put moneys into research at the present time and you said not at the present time; but you did not go into detail. I was just wondering if you would mind if I pointed out the business on percentage and what it means to them. I do not know whether everybody knows or not, but a tobacco farmer has to grow 100 per cent at a good, average price to be able, not only to make a living, but to buy his farm. Now, the majority of the tobacco farmers today are buying their farms and have bought them at very high prices. Now, they have to cut because of lack of export, which could have been handled through the experimental station so that this would never have happened. They are only growing 50 per cent of their crop, or 55 per cent of their crop and at the moneys received it is utterly impossible for them to pay anything on their mortgage. They just have to live and they are lucky if they have a good crop at a good price. Then they will just get enough to live on. So right now I think we will agree that there is very little, if anything, can be done. If the industry comes back into its own, certainly, I am sure they will be interested in doing something. I just thought I would point that out.

Another thing was the wages. Mr. Danforth pointed out that the asparagus and tomato and certain other vegetables require that people work hard at for less wages. However we want to remember that the average person who grows asparagus is either a vegetable gardener or a fruit and vegetable gardener and

they hire the labour for the whole season, practically, whereas in the tobacco situation, as you said, the tobacco worker for harvesting is brought in for a very limited time and if they are going to get them, they are forced to pay the wages and that is all there is to it.

Now, on page seven it says: "b...because of systemic absorption the downgrading of certain chemical properties, important to the flavour and smoking qualities and the reduction in filling capacity..." What do you mean by "reduction in filling capacity"?

Mr. NEWELL: There is something known in the tobacco, when you chop it up, whether or not it will fluff out and fill the cigarette and make more cigarettes. I would like to point out that it is becoming more apparent with Canadian tobacco that it has the best filling capacity of any country in the world. Now, this filling capacity, if it is reduced by the use of maleic hydrazide, why it is so important to our exports, is that the Englishman, when he goes to get some tobacco out of bond to manufacture cigarettes, has to pay \$10.60 a pound for the tobacco. If he is buying some tobacco that will not make as many cigarettes, he is going to steer clear of that tobacco. He is going to buy the tobacco at \$10.60 a pound that will fill the most cigarettes and make the most cigarettes. That is why he objects to the use of maleic hydrazide, because it reduces filling capacity. I mentioned the figure of \$10.60. That is for Canadian tobacco. That is when we have our Imperial preference. American tobacco would cost him \$10.83. I just put that in because the GAAT conference is going on and we are very anxious to keep the Imperial preference.

Mr. ROXBURGH: On page 9 you say: "A more active pathological research program was being carried on by the federal government 25 years ago than is the case today". Why?

Mr. NEWELL: Mr. Roxburgh, it is just a fact. Twenty-five years ago the research was being concentrated, through the Department of Botany and at the St. Catharines Pathological laboratory and then was done at Harrow and a lot of it was done at Delhi. At that time, there were programs on Frenching, damping-off, leaf spots, virus, etc, mosaic, black root rot, brown root rot and there was a co-ordinated program. Today they probably lack funds. This plant disease end of it has been dropped to a large extent.

Mr. ASSELIN: Has not now more of the pathological aspect of the research in tobacco been transferred to the Harrow experimental station? Are they not working to a tremendous degree, on this section?

Mr. NEWELL: There is not one man working full time on plant diseases, not one man in Harrow working full time on plant diseases. I understand that some tobacco research is being moved back into the sphere of the St. Catharines lab.

Mr. ASSELIN: Perhaps I misunderstood, but I understood that part of the Harrow experimental staff are being devoted exclusively to tobacco?

Mr. NEWELL: I am well aware of this because before the war I was with the department for nine years, during the summers, in my graduate and post-graduate work.

Mr. ASSELIN: You are familiar with it? I am thinking of a man like Walter Scott, for example.

Mr. NEWELL: Walter Scott certainly is not a pathologist, in the first place.

Mr. ASSELIN: But is he not working exclusively on tobacco?

Mr. NEWELL: Yes, but I am talking about research on tobacco disease.

Mr. ASSELIN: Yes. But I understood that there was a whole series of work being done on root rot and things of that nature?

Mr. NEWELL: There is work going on, certainly.

Mr. ASSELIN: Is it less at Harrow now than it has ever been?

Mr. NEWELL: Yes.

Mr. ROXBURGH: I have just a couple more questions. You say: "A recommendation was made by the pathologists for the tobacco farmers to use a mercuric soil drench in their seed beds in 1964 to control the damping-off disease. We all know that there is getting to be more and more of it, depending on the weather, of course. I heard something about that. I understand that this was done by a company, a certain amount of research was done, and then a recommendation went through and it actually caused a lot of growers a complete loss of plants. I wonder if you can give me any information on that?"

Mr. NEWELL: That was a recommendation that came from the pathologists who did some work with the extension people and they made the recommendation. Unfortunately, there has been a lack of co-ordination here, a lack of co-ordination of pathologists and agronomists.

Mr. ROXBURGH: Was that not done in the United States, a certain amount of that?

Mr. NEWELL: Yes; their work was done in the United States to some extent, on tobacco. But you must remember that in the United States they grow tobacco in hedgerows, where they can burn off the hedgerow and sterilise the soil. But here, because of our limited growing season, we grow tobacco in greenhouses, which are an entirely different phase of plant growth and experimental conditions in the United States in something like this do not apply to our conditions here.

Mr. ROXBURGH: I have just one more question. You mentioned the fact, when you were talking about the amount of money required for experimental work, that there would have to be \$600,000 on new buildings, in equipment, facilities, and so on. If you went ahead with the thing, you would have to have facilities. Are you suggesting that, for example, in doing this you would be asking the government not only to do that, but to be more centralizing in the experiments? You mentioned the flue-cured tobacco at Delhi. That is what I am talking about now.

Mr. NEWELL: Delhi is the heart of the flue-cured belt, which produces 95 per cent of the tobacco and, surely, Delhi is the logical place for any center of co-ordination. It is in the center. You have the University of Western Ontario to the west. You have the Ontario Agricultural College, just to the north. You have McMaster University at Hamilton. You have Toronto University just down at 401, where a lot of the basic research is carried on—absolute, fundamental, basic research. Surely, Delhi is right in the center and is the most logical place for both basic and applied research, to be carried on. It seems to me that applied research has not been emphasized as much as it used to be when we had experimental demonstration farms, and whatnot. You see, since 1959 when you had in Ottawa, a reorganization of your whole research in agriculture, you got away from commodity grouping to a discipline grouping where you have your soil research, your plant disease institute and your various institutes. Now, this was formulated, thinking that this was going to create one big machine that was going to co-ordinate all agricultural research. And, in my mind, it was done by fundamental scientists who had not the touch of the farmer and I feel that your whole set-up here in Ottawa, with this huge machine that you have got now, should be looked into because as far as the farmer is concerned, I doubt if it is working as well as it was under the old system. At least, it looks to me as if there must be modifications. Under this present system, a research scientist in agriculture in Canada is rated by the number of scientific papers he puts out. That is increasing his chances for

steps in promotion. The more papers he can get printed in scientific journals, the further he advances in research in Canadian agriculture and whether that is helping the farmer to the extent it should in practical, applied research is another question.

Mr. ROXBURGH: In other words, we want to get closer to the farmer and to the man who is growing, whether it is tobacco or strawberries or whatever it may be?

Mr. NEWELL: We have to have fundamental, basic research but I think there has been an over-emphasis on it.

Mr. ROXBURGH: Thank you, sir.

The CHAIRMAN: Mr. Brown.

Mr. BROWN: Mr. Newell, I should also like to commend you for the brief which you have presented on behalf of the Ontario Flue-Cured Tobacco Growers' Marketing Board. I just have one question. On page 2 of your brief, you stated that: "Taxes on tobacco in 1963 provided the federal government with \$420 million or seven per cent of the federal budgetary revenue." Can you tell me, Mr. Newell, what specific taxes you were referring to in that statement?

Mr. NEWELL: I am referring to all the federal tax take, and that does not include the provincial tax take.

Mr. BROWN: You mean, first of all, a sales tax? Did you mean that?

Mr. NEWELL: If federal sales tax were included—the excise tax?

Mr. BROWN: I wondered if you were including it?

Mr. NEWELL: Certainly not, a provincial sales tax. The provincial sales tax adds another \$40 million.

Mr. BROWN: I understand that. I just wondered what federal tax you were referring to. For example, would it be income tax?

Mr. NEWELL: It is the tax on that package of cigarettes (indicating). There is 22 cents on that package of cigarettes and that is where this tax money comes from.

Mr. BROWN: You were not referring to income tax.

Mr. NEWELL: Oh! Thank you very much. No, no, that is additional.

Mr. BROWN: That is what I meant.

Mr. NEWELL: Thank you very much for clearing that point up. No, I was referring—that \$420 million was the tax that is taken right off this.

Mr. BROWN: On cigarette packages of tobacco sold?

Mr. NEWELL: Yes.

The CHAIRMAN: Mr. Émard.

Mr. ÉMARD (*Interpretation*): Mr. Chairman, I would like to congratulate the Ontario Tobacco Producers for the report they have submitted. It is short, clear, easy to understand for someone who is not familiar with the tobacco growing industry and, I believe, a good many organizations would do well to produce reports of this type. My first question is: Are Canadian tobacco growers able to benefit from the research done on tobacco in the United States. Are they able to benefit from research done in other countries as well?

Mr. NEWELL: Yes, they certainly are, to an extent, and our scientists keep completely up to date with research going on throughout the world. However, in Canada we are growing tobacco in rather unique conditions and, where black root rot is a serious disease here because it is a cool temperature disease, it is not a serious problem in Rhodesia or in Virginia and North Carolina. As I mentioned the up-take of phosphorus, because of the cool weather, is different

in Canada. This research on damping-off that was done in the United States apparently does not apply to Canada. There are many phases where agricultural research on tobacco differs—and this applies to other crops, too—in Canada from other parts of the world.

Mr. ÉMARD: Explain to me why the tobacco industry, which pays taxes valued at approximately \$400 million a year, cannot receive from the government the money it needs to conduct its research?

Mr. NEWELL: I would like to ask that question of you, rather than you asking me.

Mr. ÉMARD: Another question: Do you consider that United States' tobacco is superior to Canadian tobacco?

Mr. NEWELL: There are some grades in which they might have some advantage. There are grades in which we have an advantage because of different growing areas. But Canadian tobacco, such as that hand of tobacco there (indicating) is the finest you will find anywhere in the world, and there is no doubt that we can expand this industry. We could get more exports for Canada if we got some leadership to help us produce this fine type of tobacco.

Mr. ÉMARD: Do you think, sir, that the Department of Trade and Commerce should look for new markets for Canadian tobacco, or at the present time do you think you could sell all your production?

Mr. NEWELL: Sir, may I say that in the last few years, and particularly now, we are getting excellent co-operation from the Department of Trade and Commerce. Last fall, as you know, they sponsored a trade mission to Europe and the near east and behind the iron curtain countries which did remarkably well. In fact, we have a meeting this afternoon with the deputy minister, Mr. Roberts, continuing our planning for increased exports and we greatly appreciate the co-operation we have had from the Department of Trade and Commerce over the last few years.

The CHAIRMAN: Mr. Olson.

Mr. OLSON: Mr. Newell, I would like to ask you how much of the Canadian consumption of tobacco is now produced in Canada?

Mr. NEWELL: Of the cigarette, 99.5, I would say, is produced in Canada. With your blended cigarette, there might be a little mixed in, but very little.

Mr. OLSON: In other words, it would be safe to say that you produce almost all of the tobacco that is used in Canada? It is home-grown?

Mr. NEWELL: Yes—the cigarette tobacco.

Mr. OLSON: How much of the Canadian production is exported now?

Mr. NEWELL: I will let our secretary answer that.

Mr. HEATH: Last year we produced 180 million. During the same year we exported a little more than 35 million. The year before, on the same production, we exported—Correction, please. The 180 million is green-weight and changing that to exports would be dry-weight. So last year our exports would be in the neighbourhood of 39 million, when you put it in green-weight; whereas the year before our exports were nearly 50 million or 25 per cent. They have been running more like 25 per cent.

Mr. OLSON: To what do you attribute this loss on the export market?

Mr. NEWELL: One thing is—and this is what we are pursuing with trade and commerce—in the United States they have three organizations. Tobacco Associates is the main organization which promotes United States tobacco throughout the world.

Rhodesia, in the last nine years has been extremely active with their organization, known as In Tepcor India they started a tobacco promotion council in 1959 and they have been active.

These are our three competitors. In Canada, we have no organized promotional export council and it is something we are striving for. We have to get out and advertise our tobacco throughout the world to be able to sell more.

Mr. OLSON: Would it be fair to say then that the loss of your export—that is the loss in volume of your export trade—is not attributable directly to some disease or research problem, other than market research?

Mr. NEWELL: Other than market research, no. I call that more of a fluctuation in export. For the same reason, the export buyers are very selective buyers. They pay a premium all the time for our tobacco. The main British buyer, who bought some 26 million pounds off on this present market, paid the highest price of any buyer.

Mr. OLSON: What I am trying to get at, Mr. Chairman and Mr. Newell, is that supposing additional money were granted for research and supposing that research was successful to the point where you beat or surmounted some of the problems that you have outlined in your brief. Then is it reasonable to assume that you could find markets for the additional production?

Mr. NEWELL: Most definitely.

Mr. OLSON: But could you relate that increase in market potential directly to more success in the research field? This is the problem that I am having difficulty with.

Mr. NEWELL: Mr. Demeyere will answer that question.

Mr. George DEMEYERE (*Director Flue-Cured Tobacco Growers Marketing Board*): I think the one point on this research, Mr. Chairman, is the fact that we have had this smoking and health scare. Now there are more filter-type cigarettes being smoked throughout the world; therefore the requirements of the nicotine content in the tobacco for cigarettes abroad and also here are changing and this industry could be adapted to this change by knowing, through research at the experimental farms, what varieties will produce a lower nicotine variety of tobacco. This is the only connection I think you can use research in.

Mr. OLSON: From what you have said, it would seem that perhaps the area where we need our research is in the health factors surrounding the tobacco industry, rather than in production?

Mr. DEMEYERE: I would say you need it in both.

Mr. NEWELL: I pointed out the cost of production. It is costly. We have to become more mechanized. There has to be research and more mechanization. The root rots and delayed maturity are causing the farmer, to some extent, to produce a lower-grade tobacco and some of that type of tobacco is not wanted on the export market. So this research is definitely going to help exports. Am I answering your question?

Mr. OLSON: Not exactly, I am trying to get to the problem that is confounding to me in that you are now at the stage where you are producing only 55 percent of your potential and I am not completely clear what that means either, whether that means all the farmers that are producing tobacco now are producing 55 per cent of their potential or if you are suggesting that this is 55 per cent of the potential tobacco production in Canada. But, nevertheless, there seems to be agreement that you are down to 55 per cent now.

Mr. NEWELL: Of the tobacco growers' potential.

Mr. OLSON: Yes.

Mr. NEWELL: Of the potential as a country. We could produce in Canada, quite easily, 300 million pounds of tobacco.

Mr. OLSON: One other point. You have stated, and you just repeated it now, that production of flue-cured tobacco in Canada is too costly. I presume that you relate this cost of production to the sale price of your tobacco. Do you think that tobacco is selling too cheap at the present time?

Mr. NEWELL: It is selling cheap in relation to our production costs. I tried to point out here that here is a phase where we could be helped by research, in bulk curing. Mr. Danforth says he has done priming. We are priming leaves off to be cured. We tie them on sticks and we hang the sticks up in the kiln to cure it. A system has been developed in the United States, and they are doing a lot of research on it. I understand they have done research on bulk curing, in which the primers prime off the leaves and put the leaves into baskets. The baskets are taken into the kiln, just piled up and it is cured. There have been estimates that if you could make bulk curing entirely practical, there could be a 60 per cent saving in labour costs. Then it would help us in our price and our ability to compete in the export market.

Mr. OLSON: I see. Mr. Newell, are there other cost factors in the production of tobacco that are out of line that are causing your producers a great deal of difficulty? For example, earlier today we had some evidence given to this committee that the wages that you pay to the tobacco workers are not very far out of line with other products, such as tomatoes, and so on. Do you think there are other cost factors that are unusually high in the tobacco industry? We have heard some rumours from time to time that the cost of capital investment in land and equipment, per acre, is unusually high in the tobacco industry. Would this be a factor?

Mr. NEWELL: Yes, it is a factor because a number of the younger growers are buying farms and a tobacco farm is highly capitalized; so their mortgage interest costs apply in their cost of production. But tobacco farming is such a specialized crop. We use, I believe, more fertilizer than any other crop. We have to have irrigation. We have to have greenhouses. We have to have kilns to cure the tobacco in. We have to have special steam rooms to steam and prepare the tobacco so we can handle it properly, to grade it in the barns, and sell it.

Mr. OLSON: On page 9 you say: "Flue tobacco farmers are being forced to diversify the crops being grown on their tobacco land." Now, would you say that some of these uncontrollable or fixed cost factors, such as interest, and so on, paid on investment are such that there is not any other kind of crops that they can grow profitably?

Mr. NEWELL: Take Norfolk county, for instance. We have some pictures in the brief we presented to the Department of Health and Welfare on smoking and health. Norfolk county, 40 years ago, was just sand dunes and about all it would grow was grasshoppers and some people did fairly well growing grasshoppers and turkeys, but it was not producing anything. Now, tobacco is suited to that type of soil and particularly in this light sand on the farms in Norfolk county, there are not many alternative crops that you can grow.

Mr. OLSON: One other question. Do you have any difficulty selling your top grades of tobacco on the export market now?

Mr. NEWELL: No. I heard a statement from one export buyer last year that he could not fill his complete order of top grades that he wanted.

Mr. OLSON: Then you think there is a potential for a substantial increase in this market for quite a substantial increase in top grades?

Mr. NEWELL: Most definitely.

Mr. OLSON: In the event that research was expanded and it was successful, so that you in fact did enhance the production, would you be required to further restrict the production of the potential? You are at 55 per cent now. Do you think it would be necessary to pull this down some more if your production increased per acre and you surmounted some of these problems?

Mr. NEWELL: No. Our production per acre must be close to the limit. We went up to 1,800 pounds per acre last year, which is exceptional, and it does not look as if it will be that good this year. And we are hoping for a reduction in acreage limitations. But we feel that at the moment before we grow more, we have got to sell more and we have got to have the right type of tobacco produced at the right price. And this is where research is going to help us.

Mr. OLSON: I think that is all for now, Mr. Chairman.

The CHAIRMAN: Mr. Noble.

Mr. NOBLE: Mr. Olson touched on a point that I am interested in, in this export market. I heard Mr. Newell say, a while ago, that if we could produce more tobacco like he has there, that we would be much better off as far as export is concerned. Now, the point I have to make is we understand here, from this brief, that your main competition is coming from Rhodesia, the United States and India. You also said that you think they are doing more research or getting better research than we are in Canada?

Mr. NEWELL: Yes.

Mr. NOBLE: Now, is this research that these people are doing in these countries available to our growers? Is the information available?

Mr. NEWELL: Most definitely—except research done by companies. But I tried to make that point clear before, sir, that we are growing tobacco under conditions different from other tobacco-growing countries in the world and their problems are not our problems. In Virginia you have black shank. We have never had black shank. In the United States and in Greece, blue mold is a serious problem. Here it appeared, but it is not a serious problem. We have a different set of problems on which research has to be done.

Mr. NOBLE: I see. How do you propose that we can go about growing more of this top-notch tobacco? What is to help it? My feeling is that we are going to have to look to export markets if we are going to increase production in Canada, to help your growers who are in the business because, as you know, there is a movement in this country to hinder the consumption of tobacco here?

Mr. NEWELL: Yes.

Mr. NOBLE: How are we going to be able to produce more of this good tobacco so we can get more of that foreign market?

Mr. NEWELL: That movement that you refer to is not as successful as it appears on the surface. The smoking of cigarettes is going up again because it serves such a useful purpose in reducing everyone's nervous tension much better than these pills that you buy.

Mr. DEMEYERE: I believe, in reply, there has to be a lot of research work done on this to eliminate it. You cannot export this grey tobacco and it is becoming more prevalent each year in Ontario. This is the big problem of research as far as export is concerned.

Mr. OLSON: This hand of tobacco that you are holding up now, is it in that condition because of some kind of disease or wrong seed or wrong farm management?

Mr. NEWELL: It is a physiological disease and physiological diseases are mostly caused by an imbalance of nutrition or an imbalance of climate. It is a condition that the department is starting to do some work on, but it is a condition that has got them buffaloeed at the present time. They do not know what the cause is.

Mr. OLSON: May I ask one more question. In the first instance, when you put out the plants and set up, there is an attempt made to grow the top grades?

Mr. NEWELL: Most definitely.

Mr. OLSON: There are not a lot of farmers that are actually producing other lower grades or other grades that are not exportable because they may have higher production?

Mr. NEWELL: No, no. We do not run into that because it is essential, if you are going to make money in tobacco, you have to produce as much high quality tobacco in your crop as possible or else you would go out of business.

Mr. NOBLE: Do you get a percentage of that from all the growers, or is there a percentage of growers that produce a higher percentage of this higher grade tobacco?

Mr. NEWELL: Yes. Some growers produce a higher percentage than others; but we do get a percentage from all growers.

Mr. PETERS: How much of the tobacco grown in Canada is produced in Ontario?

Mr. NEWELL: Ninety-five per cent.

Mr. PETERS: We have been told that the research facilities in tobacco are probably as good or better than the research being provided for other agricultural fields, that there is a greater specialization here. You feel that this is completely inadequate and that this inadequacy is apparent in the fact that we have problems developing, particularly grey tobacco and low grades, that could be controlled or eliminated if we had a greater amount of scientific research?

Mr. NEWELL: Yes. We must have a greater amount of scientific research. I hope the people that made the statement that we have sufficient to carry on adequate research, will continue their own research, of comparisons with other crops. Remember, this is a specialized problem. We only have one experimental station in Ontario and one very excellent one at L'Assomption, Quebec, working on these problems; whereas on wheat, grain and livestock problems, you have a whole series of experimental stations working across Canada on these various problems and there might well be overlapping there.

Mr. PETERS: Is there any problem in the development of grades, overlapping of grades suitable for Canada? Have we reached a problem with hybrids, or has that field pretty well finished?

Mr. NEWELL: No; the plant breeding research has hardly begun on hybridization.

Mr. PETERS: Part of our problem may be that we are not using the right type of tobacco for our conditions?

Mr. NEWELL: Yes.

Mr. PETERS: We are importing hybrid from somewhere else?

Mr. NEWELL: There has not been a new variety come into general use in flue-cured tobacco—and I say general use—in ten years.

Mr. PETERS: Say we were in a position to provide another five or ten research personnel. In what field would they be most useful to the farmers in Ontario in the flue-cured industry?

Mr. NEWELL: At the moment, with our troubles on insecticides and it looks as though in the very immediate future we are going to run into more trouble, entomology has to be stressed and we have got to have entomologists and scientists working right there where the tobacco is growing. A good farmer understands how to grow his tobacco, by living with it. A research man will do better research if he is living right with the crop that he is doing research on, if he is living with it and watching it grow, instead of being surrounded by a group of sugar beets or peach trees. We are going to need more entomologists, pathologists, plant breeders and bio-chemists.

Mr. PETERS: You say you are familiar with Harrow and Delhi—the personnel. These are fairly large operations, large in the sense that research in the agricultural field, at least in Canada in any of the particular fields is not very extensive. Do you see a need for re-orientation of our personnel and direction of the personnel that we are using? I am not referring to the specific individuals. But we now have certain research going on. Should this be immediately changed?

Mr. NEWELL: I believe, sir—excuse me.

Mr. PETERS: —in a different direction?

Mr. NEWELL: I believe we should have more co-ordination. That is why I stress that Delhi, being the centre of an area with Western university, O.A.C., McMaster, Toronto. It is right in the heart, there should be co-ordination right there. I would like to say that it is my feeling that not only research in tobacco, research in agriculture, in all crops, is lacking in Canada.

With these herbicides, I had the company markets expert who is responsible, and his research assistant, fly up from Chicago to see me last week and he mentioned that Canada, England and the United States, as far as herbicides, are far ahead of us. They have herbicides that they are using in England which have not been tested in Canada yet, for the simple reason that we have not the facilities and personnel to test them and they cannot be put on the Canadian market before they are tested. There is need for research in all agriculture.

Mr. PIGEON: I agree when you say that you watch the experience in Rhodesia and the United States. But, in view of the fact that the weather, and so on, are different here in Canada, it is important to have our own body of research, to increase the facilities they have. It is important, too, for Quebec because the weather is different in Quebec than in your province and the soil is, also.

Mr. NEWELL: I think you have a good point there, Mr. Pigeon. Why is it that flue-cured tobacco growing is so static in Quebec? If more research was done, perhaps more varieties would have come up.

Mr. PIGEON: We have thousands and thousands of grades of soil which are very good for growing tobacco, but we have no research in Quebec and practically none in Ontario and I think that is why I placed the motion to ask the government to take care and study your report.

Mr. PETERS: I do not know anything about tobacco. If you plant a particular kind of tobacco, does this produce a certain content of tar and nicotine, as opposed to another variety that would produce another kind, which would under the same growing conditions, produce a different nicotine and tar content?

Mr. NEWELL: To some extent, yes. But there has not been sufficient research done on this for me to fully answer your question.

The CHAIRMAN: Mr. Danforth.

Mr. DANFORTH: Mr. Chairman, I would like to ask Mr. Newell a question based on a question asked by Mr. Peters. If funds were allocated, how could

they be used? I appreciate in Mr. Newell's answer, he was very specific. In every instance he stated how funds could be used if there was an increase in production. In view of what the Ontario government are doing in trying to improve exports and the federal government as well, would it be fair to assume that if these funds were provided at the present time, in view of the fact that we have not the trained personnel readily available and the building of new research facilities, as you stated yourself, would take time—would it not be in the interest of the tobacco growers and producers to recommend to this committee—and I do not want to put words into your mouth—to recommend to this committee that funds be allocated for a crash program for tremendous promotion in sales? It seems to me if you are down to 55 per cent of the production on the farms that are growing tobacco today, perhaps the chief limiting factor is the fact that you have not got a place to put this tobacco. We are speaking of the high-grade tobacco and you said—and it was a fair statement, I believe—that there is no problem with top grades. On the other hand, we have the statement from the secretary that there are, perhaps, only 500,000 pounds of tobacco not sold at the present time?

Mr. NEWELL: Of this year's crop. We have some of 1961 and 1962.

Mr. DANFORTH: I appreciate that. That leads me to believe that there is an export market for various grades and anyone familiar with tobacco knows that it is used in blends?

Mr. NEWELL: Yes.

Mr. PETERS: Is not one of your primary problems in research directly concerned with marketing and if you had funds readily available, this should be the first avenue of attack to put you back into the business the way you should be? Or am I wrong in this assumption?

Mr. NEWELL: I think you are entirely right. The research in the marketing of all Canadian agricultural products, not only tobacco, has been very skimpy. We need trained economists to be studying market trends. That would be one of the most important fields, if we could get money, that should be emphasized.

Mr. PETERS: I am glad you concurred. There is one other point I would like to clear up. In answer to a question by Mr. Olson, I am not sure whether you appreciated his question, in view of the answer that you gave. Pertaining to cigarettes, you said that perhaps 95 per cent or more of the Canadian cigarette is of Canadian production.

Mr. NEWELL: Ninety-nine per cent.

Mr. PETERS: Ninety-nine per cent. I think what Mr. Olson was after—and perhaps I am mistaken—was what percentage, in pounds of tobacco, is imported into Canada? Now, I do not think he meant just blend of cigarettes; he meant the importation of pipe tobaccos and all other tobaccos coming into Canada.

Mr. OLSON: What I was trying to find is how much of the total consumption of tobacco in Canada was coming from foreign produced tobacco, to try to establish how much more market there was at home, if we could supply it.

Mr. DANFORTH: I think you misunderstood that question at the time.

Mr. NEWELL: As far as cigarette tobacco is concerned, very little cigarette tobacco is imported into Canada. When you look over the over-all figures, the tobacco that is imported is the pipe tobaccos and the cigar tobacco.

Mr. DANFORTH: How much annual importation, on the average, in pounds do we have of tobacco? I will ask Dr. MacRae. What I am trying to clarify is what is the average pounded importation of tobacco into Canada per year?

Mr. MACRAE: Do you mean manufactured or leaf tobacco?

Mr. DANFORTH: Everything—anything that comes in that takes the place of Canadian tobacco? I know there is much more than half a million pounds.

Mr. HEATH: Yes.

Mr. MACRAE: I did not bring these figures with me, but we are importing larger quantities today of manufactured pipe tobaccos than we have ever imported before. We are also importing today larger quantities of cigars than we ever did. On the other hand, we are manufacturing here many more cigars than we ever manufactured. This is up tremendously, also. Our pipe tobacco manufacture has not increased greatly. To answer your question—

Mr. DANFORTH: Would there be five million pounds?

Mr. MACRAE: On top of the two million pounds of cigar leaf that we are importing now, we might be importing also another million or two pounds of manufactured.

Mr. DANFORTH: Perhaps five million pounds altogether?

Dr. MACRAE: We are importing two million pounds of leaf tobacco and two million pounds of manufactured tobacco including cut, cigarette and cigar.

Mr. DANFORTH: The reason I asked this question is that this committee is dealing with tobacco, not exclusively flue-cured tobacco, and it was my understanding that this brief this morning was presented on behalf of the tobacco growers, not exclusively flue-cured tobacco growers.

Mr. NEWELL: No. It was just the flue-cured growers in this brief.

The CHAIRMAN: I think we might put that clearly on the record, for the information of the committee, that the brief this morning and the answers, unless otherwise indicated, have been dealing exclusively with flue-cured tobacco.

Mr. CHOQUETTE: Mr. Chairman, I would move the adjournment, this being 12 o'clock. I would rise, also, on a question of privilege. In the House of Commons, a quorum is 20 members and a quorum of our committee is also 20 members; so I think it ought to be reduced.

The CHAIRMAN: I am going to ask the steering committee to meet briefly after this meeting, if they will. I wonder if Mr. Pigeon would wait with us because he has some suggestions with reference to witnesses. If you would wait also, Mr. Choquette, then you could discuss that matter with the steering committee.

I have a motion by Mr. Pigeon that I want to deal with just before we adjourn. I asked Mr. Pigeon to wait and meet with the steering committee on a matter of the witnesses from Quebec.

Now, with the leave of the committee, I want to read the motion that Mr. Pigeon has placed before the committee this morning:

Moved by Mr. Pigeon, seconded by Mr. Roxburgh, that it is urgent that the Minister of Agriculture give immediate consideration to the recommendations made by the Ontario Flue-Cured Tobacco Growers' Marketing Board.

If I could just make a comment or two on that, then I will ask the committee to deal with it. I would respectfully suggest that this is the matter that this committee has to determine, Mr. Pigeon. We are asked, by the house to make a recommendation to the house, not the minister, although I think that that could be corrected by an amendment in your motion. However, the thing that concerns me, with respect, is that you could be a bit premature with this motion, because I think this is something which the committee should consider after we have heard all the witnesses. I would like any other expression of

opinion from the committee on this matter, but I would feel that the proper disposition might be to stand this motion until the committee considers its report.

Mr. OLSON: I am not saying that Mr. Pigeon should either put or hold his motion, but it seems to me that when all the members consider it their full responsibility, if the motion is put, I will move that it be tabled until we have heard all the witnesses.

Mr. DANFORTH: I know Mr. Pigeon would not want his motion put until such time as there was a full quorum and since we have not a full quorum as of now, it would be impossible to take any motion.

The CHAIRMAN: I appreciate that, although I had not noticed that we did not have a quorum. If we can just deal with this, with Mr. Pigeon's concurrence, by letting the motion stand. Is it agreed that Mr. Pigeon's motion will stand?

Agreed.

Mr. CHOQUETTE: I do not see the usefulness of that motion.

The CHAIRMAN: All the members of this committee have expressed their appreciation for the very fine brief that has been presented here this morning. We appreciate it. Thank you.

HOUSE OF COMMONS
Second Session—Twenty-sixth Parliament

1964

STANDING COMMITTEE
ON
Agriculture and Colonization

Chairman: RUSSELL C. HONEY, *Esq.*

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 4

Respecting
PRODUCTION AND PROCESSING OF TOBACCO

THURSDAY, JUNE 25, 1964

WITNESS:

*From The Ontario Burley Tobacco Marketing Association: Mr.
M. C. Campbell, Secretary of the Association.*

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1964

STANDING COMMITTEE
ON
AGRICULTURE AND COLONIZATION

(Chairman:) RUSSELL C. HONEY, Esq.

(Vice-Chairman:) PATRICK T. ASSELIN, Esq.

and Messrs.

Alkenbrack,	Gauthier,	Moore (<i>Wetaskiwin</i>),
Armstrong,	Gendron,	Mullally,
Barnett,	Groos,	Nasserden,
Béchar, d,	Gundlock,	Noble,
Beer,	Horner (<i>Acadia</i>),	O'Keefe,
Berger,	Horner (<i>The Battle-</i>	Olson,
Brown,	<i>fords</i>),	Peters,
Cadieu (<i>Meadow Lake</i>),	Howe (<i>Wellington-</i>	Pigeon,
Cardiff,	<i>Huron</i>),	Rapp,
Choquette,	Jorgenson,	Ricard,
Crossman,	Kelly,	Rochon,
Cyr,	Konantz (Mrs.),	Roxburgh,
Danforth,	Lamb,	Southam,
Dionne,	Langlois,	Tardif,
Doucett,	Laverdière,	Temple,
Drouin,	Lessard (<i>Lac-Saint-</i>	Vincent,
Émard,	<i>Jean</i>),	Watson (<i>Assiniboia</i>),
Éthier,	Madill,	Watson (<i>Châteauguay-</i>
Forbes,	Mather,	<i>Huntingdon-Laprairie</i>),
Forest,	Matte,	Whelan—60
Forgie,	McBain,	

(Quorum 20)

D. E. Levesque,
Clerk of the Committee.

ORDER OF REFERENCE

WEDNESDAY, June 24, 1964.

Ordered,—That the Standing Committee on Agriculture and Colonization be empowered to examine and enquire forthwith into all matters arising out of and relating to the difference between the prices received for Feed Grain by the producers in the Prairie Provinces of Canada and the price paid by livestock feeders in Eastern Canada and British Columbia, and that the evidence adduced before this Committee in the Twenty-sixth Parliament be referred to the Committee, and that the Committee have leave to receive such evidence as part of the said examination.

Attest.

LÉON-J. RAYMOND,
The Clerk of the House.

MINUTES OF PROCEEDINGS

THURSDAY, June 25, 1964.

(5)

The Standing Committee on Agriculture and Colonization met this day at 10.10 o'clock a.m. The Chairman, Mr. Russell C. Honey, presided.

Members present: Messrs. Alkenbrack, Armstrong, Asselin (*Richmond-Wolfe*), Béchard, Beer, Brown, Choquette, Danforth, Doucett, Drouin, Forest, Groos, Honey, Horner (*The Battlefords*), Madill, McBain, Mullally, Nasserden, Noble, Olson, Pigeon, Rapp, Roxburgh, Watson (*Assiniboia*), Whelan (25).

Witness: From The Ontario Burley Tobacco Marketing Association: Mr. M. C. Campbell, Secretary.

The Chairman asked the Clerk to read the Report of the steering Subcommittee. The Clerk reading:

THIRD REPORT OF YOUR SUBCOMMITTEE

THURSDAY, June 18, 1964.

The Subcommittee of the Standing Committee on Agriculture and Colonization met this day at 12.15 o'clock p.m. The Chairman, Mr. Russell C. Honey, presided.

Members present: Messrs. Honey, Danforth, Peters, Mullally, Olson and Asselin (*Richmond-Wolfe*) (6).

Your subcommittee decided that the Committee would hear representatives of the Ontario Burley Tobacco Marketing Association at its next meeting on June 25th.

Your subcommittee also decided to consider, at its next meeting the calling of a witness from the Department of Trade and Commerce on the question of tobacco export.

It was agreed that the following witnesses be invited to appear before the Committee at its meeting of Thursday, July 2, 1964:

Mr. Liguori Blois, Manager,
Tobacco Cooperative,
St. Jacques, P.Q.

Mr. Jean-Paul Corriveau,
St. Thomas, Joliette County,
P.Q.

Mr. Conrad Turcot, agronomist,
Provincial Department of Agriculture,
875 Fleury Street East,
Montreal, P.Q.

At 12.25 o'clock p.m. the Subcommittee adjourned.

It was agreed that the Third Report of the Subcommittee be adopted as read.

Mr. Olson moved, seconded by Mr. Beer,

That this Committee seek permission from the House to reduce its quorum from 20 to 12 members.

After discussion, the motion was carried on a show of hands, yeas: 12, nays, 9.

Thereupon, Mr. Drouin moved, seconded by Mr. Béchard,

That a recorded vote be taken on the motion.

The recorded vote was as follows: YEAS: Messrs. Armstrong, Béchard, Beer, Brown, Drouin, Forest, Groos, Mullally, Olson, Rapp, Roxburgh and Whelan (12); NAYS: Messrs. Danforth, Doucett, Horner (*The Battlefords*), Madill, McBain, Nasserden, Noble, Pigeon and Watson (*Assiniboia*) (9).

The Chairman introduced the witness; and Mr. Campbell read his brief on behalf of The Ontario Burley Tobacco Marketing Association.

The Committee proceeded to the questioning of the witness.

The questioning of the witness being concluded, the Chairman thanked Mr. Campbell for his brief, dealing exclusively with Burley Tobacco.

At 12.20 o'clock p.m. the Committee adjourned to Thursday, July 2, 1964.

D. E. Levesque,
Clerk of the Committee.

Note—The evidence, adduced in French and translated into English, printed in this Issue, was recorded by an electronic recording apparatus, pursuant to a recommendation contained in the Seventh Report of the Special Committee on Procedure and Organization, presented and concurred in, on May 20, 1964.

EVIDENCE

THURSDAY, June 25, 1964

The CHAIRMAN: Gentlemen, I see a quorum.

May I have the permission of the committee to make one or two remarks?

I would like to ask Mr. Levesque to read the minutes of the last meeting of the steering committee, which was held since our last full meeting.

(The clerk of the committee read the minutes of the steering committee. See Minutes of Proceedings).

You have heard the minutes of the steering committee. Is it agreed that the minutes be adopted?

Agreed.

Before we move on to the business this morning Mr. Olson, I understand, wishes to make a motion.

Mr. OLSON: I move that we ask permission of the House of Commons to reduce the quorum from 20 to 12.

Mr. BEER: I second the motion.

Mr. DANFORTH: In view of the fact that the witness we have invited here this morning has already had to wait three quarters of an hour, owing to our negligence, not his, I think it would be ill advised to discuss this matter at the present time. However, if it is to be discussed now, I wish to speak to it at some length.

I think we should set this motion aside and discuss it at a later time and go on now with the business of hearing this witness.

Mr. OLSON: I do not want to make any long statement on this because the reason for moving the motion is so obvious that it should be almost self-explanatory. My reason, of course, in moving the motion was to attempt to avoid a repetition of the situation we have had today.

The CHAIRMAN: Does anyone else wish to speak on this motion?

Mr. DANFORTH: Mr. Chairman, if you entertain the merits of this particular motion I would not only like to speak but I would like to speak at length upon it. However, the fact still remains that this witness has had a long wait, and we are taking up his time discussing a matter that could well be taken up at another time.

The CHAIRMAN: The motion is before the committee and I think it has to be decided, unless the committee rules otherwise. I think my position is that I must bring the motion to a vote and, therefore, I would like to hear any other representations. If you wish to speak at greater length, Mr. Danforth, I think you should do so.

Mr. DANFORTH: I am sure the hon. member appreciates my viewpoint as far as the meeting itself is concerned, and I think perhaps he would be willing to discuss it at the end of the meeting rather than before we begin.

Mr. OLSON: Mr. Chairman, of course I would like to do anything to accommodate the members of the committee. I do not know about other members of this committee, but I know there are several other things going on this morning and, as much as I would like to stay here for the entire meeting, I cannot do so. I think there are other members in the same position. If we do

not take care of this motion now it is possible that in 45 minutes from now some members will have to leave and we will find that we will not have a quorum again if it is still set at 20. That is the only reason for which I suggest this matter should be dealt with now.

Mr. DANFORTH: Let us hear the witness.

Mr. NASSERDEN: Let us hear the witness; that is what we are here for.

Mr. MULLALLY: Let us hear the discussion now.

Mr. DANFORTH: I do not think it is fair to the witness.

Mr. MULLALLY: Let us hear the motion.

Mr. BEER: Hear the motion.

Mr. DANFORTH: If the members insist on having the discussion now, then I would like to speak upon it, although I prefer to hear the witness. I would like to have the position made clear that we have invited a witness to speak to the committee and it seems to me that this motion is purely committee business and should be discussed at a time when the witness is not here; but if you insist, Mr. Chairman, I am prepared to speak now.

The CHAIRMAN: The motion is before the committee and unless Mr. Olson wishes to defer it until a later date, then we must deal with it now.

Mr. ROXBURGH: Would Mr. Olson defer it until we have heard from the witness? If, for example, there comes a time when somebody honestly has to leave, then we could possibly break in and discuss this. We can deal with the witness first; I think that would be the better course. However, it is up to the committee. I know my own feelings upon it and I would speak upon it too; I know that.

Mr. OLSON: Mr. Chairman, it is not up to me. A motion that has been received becomes the property of the committee. Even if I asked to have it withdrawn, the committee would have to concur. So far we have been discussing this for about five minutes already. I am unable to grasp why we cannot deal with this motion at once. Perhaps there is a reason. If there is, perhaps the reason could be stated.

The CHAIRMAN: As Mr. Olson has said, the motion is before the committee and I think we must deal with it unless it is agreed that it be deferred. Probably we could save time by going ahead and dealing with this motion and disposing of it. Before I put the motion, are there any other remarks?

Mr. DANFORTH: The quorum has been reduced from 60 to 20. Normally there is no difficulty in obtaining a quorum of 20 for this meeting. In view of the importance of agriculture, as a committee I think we should be able to maintain a quorum of 20. In fact, I feel the reason we have had some difficulty is that too many committees are sitting at the same time; and that is not the responsibility of the agricultural committee. It is the responsibility of the government to see that these committee meetings are spread out to such a degree that the members have time available to take advantage of them. It is true that we are sitting now and that we have had trouble in obtaining a quorum, but the fact does remain that this committee now is dealing with a private member's bill, and I think a contributing cause of the difficulty in obtaining a quorum is the limited interest in this particular subject. For these reasons I would take violent exception to reducing the number of the quorum from 20.

Mr. MCBAIN: Suppose we deal with it this morning and it is passed this morning by the committee, we still cannot reduce the quorum until we obtain the permission of the house, so we will be no better off today. I see no advantage in getting it passed at the present time.

Mr. WHELAN: May we ask Mr. Campbell how much time he has available?

Mr. M. C. CAMPBELL (*Secretary, Ontario Burley Tobacco Marketing Association*): I am prepared to spend all day.

Mr. WHELAN: I only wanted to say one thing, Mr. Chairman, with regard to the quorum. On a good many occasions we have waited, as we have waited this morning, in order to obtain a quorum. I agree partially with what Mr. Danforth has said this morning and I disagree partially. I disagree with his statement that tobacco is only of limited interest. I do not think there is anything more prominent in people's minds today than tobacco. So far as health and other matters are concerned, it is of nation-wide interest.

There are other committees—I believe public accounts is one,—that have as many members. I believe when we came in one member said that we should lower the quorum to 12. I have made my opinion known that quorums should not be lowered, but if we are to have five and six committees meeting at the same time, how are we to carry on the business of the committees without lowering the quorum?

Mr. PIGEON: Mr. Chairman, as this committee is so important I had in mind moving a motion to increase the quorum.

Mr. ROXBURGH: Mr. Chairman, as Mr. Danforth has pointed out, this is a private member's motion and, since it is mine, naturally I am on the spot to a degree.

I can appreciate the attitude taken by some members. The way I feel about it myself is that the tobacco industry may be of interest to the country as a whole, and because of what is taking place at the present time I felt that there would be a keen interest in it. However, from an agricultural and grower's angle, interest is very limited. As I say, the important point is that this is a very limited area of agriculture and because of that I thought and I still do that we should reduce the quorum. Agriculture is represented here this morning by some good old wheat growers who are sitting over on the other side of the table. I know myself, when I have been on this committee and wheat was being discussed I did not attend as regularly as I should perhaps; but, if I had been a wheat grower I certainly would have been on the job all the time. It is nice to see the western boys here this morning. They deserve a lot of credit for being here, since they are not, in fact, growers of tobacco. As I said, Mr. Chairman, my thought was that we should reduce the quorum simply because of the witnesses more than anything else.

In the food and drug committee we started off with a quorum of 15, I believe it was and, eventually, it was reduced to eight. In the last two meetings of that committee we have sat with not more than two or three over the quota. However, the point is we were able to get started. This procedure is not going to stop anyone from coming out. But, as has been pointed out, there are other committee meetings and it is only natural and makes common sense that the quorum should be reduced.

I also was on the public accounts committee but I could not attend because this was of more interest to me. Certainly, if members from the other parties are on different committees and if it happens that this group from western Canada are more interested in another committee, then they are going to go there, and no one can blame them for doing so. No one is going to blame anyone.

I have wondered why so many meetings are held at the same time, but it seems that is the way it is. However, because of this situation, I felt we should reduce the quorum in order to recognize and hear a witness who has come from such a long way and given up time in order to be here. My whole idea is to get the thing underway.

(Translation)

Mr. DROUIN: I quite agree with Mr. Danforth that if we do not have a quorum this morning it is because other committees are sitting at the same time—that is happening all the time. But I do not agree with him...

(Text)

The CHAIRMAN: I am sorry; we are not getting a translation.

The interpreter is ready now. Would you proceed, Mr. Drouin.

(Translation)

Mr. DROUIN: I do not agree with him when he puts the blame on the government. If we want to get through the work entrusted to us by the House it is essential that several committees sit at the same time, otherwise we would not have enough time to get our work done. And I see no reason why the quorum could not be reduced from twenty to twelve. In the House we have a quorum of twenty for two hundred and sixty-five members. I do not see why, if we apply the same principles, we could not have a quorum of twelve for sixty members of a committee. So I am entirely in agreement with Mr. Olson's motion to reduce the quorum from twenty to twelve.

(Text)

Mr. RAPP: Mr. Chairman, I do not see anything wrong in reducing the quorum to 12 in our hearings. Other committees have experienced the same trouble and they reduced their quorums, as a result of which there was not a time that they had to wait for a quorum.

Another problem which presents itself is that when a committee is called for 9.30 in the morning the members are busily engaged in looking after their correspondence. I think there is nothing wrong with that.

Mr. WHELAN: Question.

Mr. RAPP: As I say, I do not think there is anything wrong with reducing the quorum to 12 at this particular meeting.

Mr. DOUCETT: Mr. Chairman, there is no doubt that this is the basic industry of Canada. It may not be the largest industry but it is the basic one, and surely if we are going to bring witnesses here at great inconvenience to themselves we should have at least a quorum of 20 to listen to them.

This is a very important matter and I think our members should make every effort to attend the meetings especially when matters of this kind are discussed and we have asked these witnesses to appear. Although I am not personally interested in tobacco I am very interested in the agricultural and farming industry, and I think we should be able to have at least 20 members here to hear the witness speak on a subject which is most important to Canada.

Mr. PIGEON: Mr. Chairman, there are 95 members on our side in the House of Commons and there are 10 here this morning; however, although there are 129 members on the other side there are only 10 here this morning.

Mr. BECHARD: On a point of order, Mr. Chairman—

The CHAIRMAN: Please allow Mr. Pigeon to conclude his remarks.

Mr. WHELAN: On a point of order, Mr. Chairman, may I point out that the cabinet is not counted amongst the members and are unable to attend committee meetings, so we are equal if we subtract the cabinet.

Mr. BECHARD: On a point of order, Mr. Chairman, I do not think that Mr. Pigeon is working for the farmers; on the other hand, he is working for politics.

Mr. PIGEON: No, no, not at all. We are very interested in the farmers of this country. We have proven that we are very interested because we have 10 members here this morning out of 95 members on our side of the house and on the government side although there are 129 members there are only 10 here this morning.

I know it is difficult sometimes to secure a quorum but may I say that I am against reducing the quorum. In fact, I had in mind introducing a motion to increase the quorum because agriculture is a very important industry in this country. As we all know, our farmers face a good many problems and it is our duty to be here to work for them.

Mr. BEER: Mr. Chairman, let us get on with it.

The CHAIRMAN: Would you proceed, Mr. Nasserden.

Mr. NASSERDEN: Mr. Chairman, I agree with what George Doucett had to say. I would point out that there are 60 members on this committee and, surely, we can expect 20 of these to turn up for a meeting which is called. Our present quorum of 20 represents only one third of the whole.

Also, I would like to emphasize what George has said, that when these witnesses appear before us they do so to impart information to us, and if we have 60 members on the committee and only 12 or maybe 15 appear, not too many people are getting the message.

The CHAIRMAN: Are you ready for the question?

Some hon. MEMBERS: Question.

The CHAIRMAN: It has been moved by Mr. Olson, seconded by Mr. Beer, that the quorum of this committee be reduced from 20 to 12 members. All those in favour of the motion please indicate by raising your right hands?

Mr. PIGEON: Yes. We will see something this morning.

The CHAIRMAN: All those opposed?

Mr. PIGEON: The farmers will know.

Mr. DANFORTH: Mr. Chairman, will we have an opportunity of speaking on this motion in the House of Commons?

The CHAIRMAN: Yes. May I indicate the results of the vote. There are 12 in favour of the motion and nine opposed to the motion.

I might state to the members of this committee that, as we are all aware, this will have to be included in a report to the House of Commons and we will have to get approval of the House of Commons in respect of this matter.

Mr. DROUIN: Mr. Chairman, could we have a registered vote?

The CHAIRMAN: If you ask for a registered vote we will have one.

Mr. PIGEON: Yes. Thank you very much. We are agreed.

The CHAIRMAN: Is there a motion for a recorded vote?

Mr. PIGEON: Yes.

Mr. DROUIN: I made that motion.

The CHAIRMAN: The motion has been made by Mr. Drouin. Is there a seconder for the motion?

Mr. BÉCHARD: I second the motion.

The CHAIRMAN: It has been moved by Mr. Drouin, seconded by Mr. Béchard that the vote be recorded.

Motion agreed to.

I will ask the secretary to poll the members, please. Poll the members present, Mr. Levesque.

The CLERK: Mr. Armstrong?

Mr. ARMSTRONG: Yea.

The CLERK: Mr. Asselin (Richmond-Wolfe)?

Mr. PIGEON: No.

The CHAIRMAN: Order. May I interrupt? Will you please indicate yea or nay when the clerk calls your name.

Mr. PIGEON: He is too late.

The CLERK: Mr. Beer?

Mr. BEER: Yea.

The CLERK: Mr. Brown?

Mr. BROWN: Yea.

The CLERK: Mr. Danforth?

Mr. DANFORTH: Nay.

The CLERK: Mr. Doucett?

Mr. DOUCETT: Nay.

The CLERK: Mr. Drouin?

Mr. DROUIN: Yea.

The CLERK: Mr. Forest?

Mr. FOREST: Yea.

The CLERK: Mr. Groos?

Mr. GROOS: Yea.

The CLERK: Mr. Horner (The Battlefords)?

Mr. HORNER (*The Battlefords*): Nay.

The CLERK: Mr. Madill?

Mr. MADILL: Nay.

The CLERK: Mr. Mullally?

Mr. MULLALLY: Yea.

The CLERK: Mr. Nasserden?

Mr. NASSERDEN: Nay.

The CLERK: Mr. Noble?

Mr. NOBLE: Nay.

The CLERK: Mr. Olson?

Mr. OLSON: Yea.

The CLERK: Mr. Pigeon?

Mr. PIGEON: Nay.

The CLERK: Mr. Rapp?

Mr. RAPP: Yea.

The CLERK: Mr. Roxburgh?

Mr. ROXBURGH: Yea.

The CLERK: Mr. Watson (Assiniboia)?

Mr. WATSON (*Assiniboia*): Nay.

The CLERK: Mr. Whelan?

Mr. WHELAN: Mr. Chairman, it is my pleasure to vote yea because the first year I was in the House of Commons as an opposition member I did not have the opportunity of attending an agricultural committee meeting because we did not have an agricultural committee.

The CHAIRMAN: Order, please.

Mr. DANFORTH: Mr. Chairman, on a point of order, if we want to make this a partisan arena we can do so.

The CHAIRMAN: I have called the member to order.

Mr. PIGEON: Yes, and you are right.

Mr. DANFORTH: Disgraceful.

Mr. NASSERDEN: I think that remark should be struck off the record because it is absolutely without foundation.

Mr. WHELAN: It is absolutely the fact, Mr. Chairman.

The CHAIRMAN: May I have order, please. It has been moved by Mr. Drouin, seconded by Mr. Béchard that the committee have a recorded vote. The yeas are 12 and the nays are nine.

Mr. MCBAIN: I would ask you to read the names off because some were missed. My name was not called.

The CLERK: My apologies to you Mr. McBain. You are not even checked in. May I have your vote now?

Mr. MCBAIN: Nay.

Mr. BÉCHARD: What about my vote, Mr. Chairman?

The CHAIRMAN: Would you read the names quickly Mr. Clerk, please?

The CLERK: Mr. Armstrong, yea, Mr. Béchard, and I am sorry, what is your vote?

Mr. BÉCHARD: Yea.

The CLERK: Mr. Béchard, yea; Mr. Brown, yea; Mr. Drouin, yea; Mr. Forest, yea; Mr. Groos, yea; Mr. Mullally, yea; Mr. Olson, yea; Mr. Rapp, yea; Mr. Roxburgh, yea; Mr. Whelan, yea. Those are the yeas. The nays are. Mr. Danforth, nay; Mr. Doucett, nay; Mr. Horner (The Battlefords), nay; Mr. Madill, nay; Mr. McBain, nay; Mr. Nasserden, nay; Mr. Noble, nay; Mr. Pigeon, nay and Mr. Watson (Assiniboia), nay.

The CHAIRMAN: Thank you.

Gentlemen, we have with us this morning Mr. M. C. Campbell, secretary of the Ontario Burley Tobacco Marketing Association. I think you all have the brief which Mr. Campbell has been kind enough to bring with him this morning and which he will present on behalf of the Ontario Burley Tobacco Marketing Association.

I should like to thank Mr. Campbell for taking the time to be with us this morning and for his indulgence in respect of the time we have taken on this procedural matter.

If the members of the committee agree I will ask Mr. Campbell to read his brief to the committee.

Mr. M. C. Campbell (Secretary of the Ontario Burley Tobacco Marketing Association, Chatham, Ontario): Mr. Chairman and gentlemen, I should like to read this brief first and then, if you will make note of those areas in respect of which you should like to ask questions, I will be glad to answer them.

The progress of Burley tobacco production in Canada is faltering. The economic growth of this long established industry is in a serious decline. That this should happen to growers is of grave concern when world production and consumption is rising. Canada's Burley production has decreased approximately 20 per cent to 73 million pounds in the 10 year period 1954 to 1963, as against 88 million in the previous 10 years.

The Burley Tobacco Marketing Association of Ontario is comprised of 3,000 Burley tobacco farmers. There farms are in the main, located in the counties of Essex and Kent although Lambton, Middlesex and Elgin counties also produce Burley tobacco.

Burley tobacco has been produced in Canada in a commercial way since the late 1800's and requires the very best of land and a long frost-free growing period.

Accurate records, available for the last 28 crop years, show that the value of Burley tobacco as a gross farm return, to southwestern Ontario, has been \$64,000,000 and that 254 million pounds of tobacco were produced.

In the last five crop years, approximately 17 million or \$3.5 million a year has been paid to Ontario Burley farmers. The average gross farm return per acre for the last five crop years has been just over \$683 per acre.

Since 1935, Ontario's 3,000 Burley farmers have been working together through a voluntary organization called the Burley Tobacco Marketing Association of Ontario. This is an entirely farmer operated group and has no affiliation with government controlled marketing agencies. The association acts to regulate production of Burley tobacco, so that a normal flow to market will assure its members an adequate price for this high cost commodity. Burley farmers have never received any financial aid or support from government to market their crop.

The capital investment in land for Burley production is approximately \$6,625,000. Add to this another investment of some \$10,000,000 in specialized equipment and buildings which are of no value except when applied to the production of Burley tobacco. In total the capital investment by Burley farmers in land, buildings and equipment can conservatively be said to amount to \$16,000,000.

Burley has been grown on a limited scale in the province of Quebec for the past few years. Quality indicates that varieties more suitable to soil and climatic conditions will have to be developed before any expansion will take place.

The rapid swing in consumer demand to cigarette type Burley in the last 10 years has altered the whole production picture. By 1960 stocks of pipe and chewing types reached a point where the buying companies asked the association that no Burley be grown in that year. Growers suddenly became aware of the fact that drastic changes must be made to meet this new demand.

A new variety, new fertilization, handling, and curing methods, all developed at the Harrow research station were adopted by growers for the 1961 crop with the result that we had one of the best crops of cigarette type Burley ever grown in Canada. In 1962 and 1963 growers continued to produce excellent cigarette Burley, but it appears we were too late and our export market had dwindled. Foreign buyers had turned to other sources of supply. When our salesmen tried to recapture these markets they found that something other than the quality of our tobacco was affecting sales. Our prices were too high!

While growers were achieving this new level in quality they also increased their yields approximately 25 per cent to an average of over 2,000 pounds to the acre. But at the same time costs soared, because methods of handling Burley are today essentially the same as they were fifty years ago. A cost study of the 1963 crop by the Ontario Department of Agriculture, farms, economics and statistics branch, indicates an average cost per acre of \$771. The gross of \$849 leaves only \$78 for returns to risk and management. Of this \$771 investment \$400 is a labour cost.

The buyers of our Burley, aware that the growers expenses were rising tried to compensate by increased prices for our crop. But, in so doing, it would appear we have made it more difficult to be competitive in many export markets.

While Burley tobacco may not be as spectacular as flue-cured it is an agricultural export commodity and contributes favourably to Canada's balance of trade.

Many major tobacco exporting countries in the world today have a large supply of cheap hand labour and these countries are our major competitors. In recent years they have been increasing production while at the same time we have been cutting back.

Burley growers are taking an active interest in marketing and work closely with the processors in trying to maintain existing markets and develop new outlets but continued resistance is encountered because of our higher prices.

It is hoped the above preamble will provide the committee with a bit of background on Burley production in Canada.

Tobacco of all kinds, an important part of Canadian agriculture, is being downgraded and harmed by lack of research. The medical association and our own minister of health have branded our industry with the skull and cross-bones of poison. They base their condemnation on statistical evidence, and yet there is no direct research being conducted in Canada in an attempt to find the cause of lung cancer. Recent research links cancer with areas where smoked fish constitutes a large part of the diet. Suspect also are barbecued foods, hydrocarbons deposited in the air from the combustion of petroleum products used in trains, buses, cars and heating units.

Six hundred thousand dollars has been set aside by our federal government; \$400,000 to be used in an educational program directed at school age children in an effort to dissuade them from starting to smoke, and \$200,000 to find out why people smoke.

Three hundred thousand dollars has been provided by the Canadian tobacco industry for research to determine the cause of lung cancer. To date \$200,000 has been used. There is still \$100,000 available but, *there is no research being carried on in Canada today in an attempt to find the cause of lung cancer.*

The tobacco industry has been asked, "Why can't it produce a safer cigarette," and the only answer we can give is, "*safer than what*"?

It must be clear to all, the medical profession, manufacturers, producers and most important of all the consumer that more, more and yet more research must be done in an effort to resolve the health question. The problem cannot be resolved at arm's length, it can only be accomplished by complete co-operation of all concerned.

World tobacco problems are as many and as varied as are the ones confronting us in Canada. Perhaps the tobacco industry is entering an entirely new phase in its history. Things are happening in processing that may change the whole concept of values (or quality) as we know it today. Did the designers of the process which makes use of stems realize the impact this would have on the industry? Have producers ever considered the quality of stems, or their values? Has the addition of stems (which constitutes approximately 20 per cent by weight of the product the farmer sells) changed the quality of cigarettes? Has the use of reconstituted tobacco for cigar binders changed the quality of cigars? Its manufacturers claim they will blend to the customers specifications.

Is quality as we know it, the all important factor? Some buyers today are asking for chemical tests before they make their purchases. They are asking for low nicotine, chlorine, and alkaloid content but with a high sugar content. We know this combination makes for a more pleasant smoke, but is it safer? A very popular brand of pipe tobacco sold in Canada today is an imported brand, and making impressive inroads on domestic sales. This tobacco, we understand, is of poor quality but it has chemical additives that make for a very pleasant and aromatic smoke.

Therefore we must ask ourselves, and research, on what do we base our future? On present day values, or will chemical tests be the deciding factor in determining quality. Chemistry research might also reveal that sweeping

changes could be made in cultural methods. The processing and manufacturing segment of the industry have made great strides in mechanization. If we in Canada are to equal in exports to world markets the potential of our productions, then we must be the leaders in mechanization. We have shown the world what we can do when only one worker in 24 is required for the production of food for our people, and yet have tremendous quantities available for export. We would here like to submit these recommendations to the committee:

Recommendations:

1. That the work in Harrow under the direction of Dr. L. W. Koch be continued. The plant breeding program conducted by R. J. Haslam has proven very valuable to the burley producers. Seven new varieties have been developed at Harrow since his posting there, and each new strain has overcome some of the shortcomings of a previous variety.

We understand Mr. Haslam is retiring this year and his position must be filled so that no slow-down of his work will occur. Experiments with mechanization will no doubt require a specifically designed tobacco plant. Time is a greater factor in plant breeding than other phases of production, and a great deal of future thinking must be devoted to this level.

2. Studies on handling and curing, undertaken by Mr. W. A. Scott have proven invaluable to the growers in the transition to the production of cigarette type burley. This work covers that part of production that entails the greatest amount of hand labour, and is also where the largest percentage of the cost is incurred. At this point we would like to remind the committee that when production costs reach the heights they do, that research costs per acre on tobacco are equally costly, and the budget should be adjusted accordingly. At this level of research the evaluation of quality and yields are important. Not only as a basis for plant breeding but also from the economic viewpoint of the grower. It would be uneconomical to further increase production with present handling methods. Costs increase to a greater degree than returns.

Another part of research that has been discussed above is the chemical test. Existing records show burley to contain less nictines and alkaloids than other tobaccos. Is burley approaching that "safer" tobacco that the industry is seeking? Much more information is required to be able to answer this question and we understand that facilities for this type of research are under consideration for the Harrow station. We urge the committee to proceed without delay in providing this equipment. We feel Mr. Scott's work has just begun, as the greatest advances in mechanization will occur in the growing period beginning with harvest. Research on this problem will complement his work and yet is so urgently needed at this time that it is felt an entirely new field should be created.

3. For reasons stated above it is recommended that the engineering problems now facing burley production be given early consideration, and to borrow a term from our neighbours to the south, a "crash program" be conducted in the field of mechanization. We recognize the fact that the province of Ontario has existing facilities at both the Ontario Agricultural College at Guelph and the Western Ontario Agricultural School at Ridgetown. If it were possible for the province to somehow assist the federal department perhaps the work on mechanization could be begun at an earlier date.

4. In conclusion we stress the fact that lack of progress on any part of the research program for tobacco nullifies gains made in others. Continued and expanded research is vital for the healthy progress of this industry and only governments have the necessary funds to supply the tools required. Only governments can provide the guidance required to coordinate the efforts of the various segments of the industry.

We are not suggesting that tobacco research in any way subtract from other research programs. We suggest only that for an industry which provides \$400,000,000 in direct tax income to the federal government, more attention should be devoted to its problems.

Present agricultural research in Canada is progressive and the quality of the work is excellent but perhaps too much of our time is devoted to applied research, on improvements to discoveries made in the past.

Dr. MacCrae has been quoted as saying that even were funds available that he would have difficulty in finding a competent staff. If this is the case, it is up to the committee to provide sufficient funds to acquire an adequate staff of trained scientists. Let us not allow other countries to continue to hire so many of our graduating scientists.

Very little of our effort is devoted to basic research. More money and brains must be devoted to free thinking. We must provide the atmosphere, that will permit theoretical scientists to delve into the unknown. Surely the combination of basic and applied research will unravel our problems and help us do what mother nature will not.

Mr. ROXBURGH: That is a very good brief.

The CHAIRMAN: Thank you very much, Mr. Campbell. I am sure the committee members will have some questions to ask you on your brief.

Mr. DANFORTH: I would like to compliment the witness, Mr. Campbell, on his presentation which is short, concise and right to the point. I have a few questions I would like to ask, however, if the witness does not mind.

I notice the value of the burley acreage and the investment amounts to quite a few millions of dollars. Is it correct that this burley acreage is grown under quota, as flue-cured tobacco is grown?

Mr. CAMPBELL: Yes.

Mr. DANFORTH: No farmer can grow as much as he likes?

Mr. CAMPBELL: No, it is grown under a restricted control.

Mr. DANFORTH: Is this control exercised by the burley tobacco marketing association of which you speak?

Mr. CAMPBELL: Yes. I might point out that this is purely voluntary. There is no existing legislation committing any one of these chaps to adhere to the rules and regulations of the board; it is a voluntary thing. They feel they have gained by doing so, and they stick to these rules.

Mr. DANFORTH: Is it safe to assume that by regulation you would perhaps establish at some time a base acreage? What percentage of the base acreage is now being produced with tobacco?

Mr. CAMPBELL: We are down at the moment to 25 per cent of the base acreage that we started with in 1935.

Mr. DANFORTH: If the present growers are growing only 25 per cent of their capacity, does this mean that this acreage could be tremendously increased if there were the proper incentive?

Mr. CAMPBELL: The answer to that, Mr. Danforth, is that in 1945, 8,470 acres were harvested for a total of approximately 11½ million pounds, but in 1963, with half that acreage, 4,000 acres, we produced 8½ million pounds. Improved cultural methods and improved fertilization have helped us to the point that we are producing almost twice as much tobacco on an acre but we have not kept pace economically. Where we were producing 8,000 acres and had the facilities needed to house 8,000 acres, today we are down to 4,000 acres, but our costs are such that without mechanization we cannot compete with the countries which have great labour forces who will work for a very small wage.

Mr. DANFORTH: There is one other question I would like to ask, Mr. Chairman. If the proper incentives were provided to expand this production of burley tobacco, is there a potential in that area or in other areas of Canada to increase the acres other than those in the hands of the members of this marketing association? I am very interested to know whether this could be expanded to a tremendous degree. Is there suitable land? Could facilities be provided if the remuneration per acre proved it would be a very profitable crop?

Mr. CAMPBELL: Is this question directed to me?

Mr. DANFORTH: Yes.

Mr. CAMPBELL: Yes.

Mr. CAMPBELL: I think the potential of burley tobacco production in Canada is unlimited.

Mr. DANFORTH: In listening to the presentation of this brief I was under the impression that perhaps one of the limiting factors was price in world markets. Would this be a fair assumption?

Mr. CAMPBELL: Yes. The main question in our presentation is: How can we as producers in Canada reduce our cost of production? How can we reduce the price to other nations other than by mechanization? We do not see that we can reduce our price, but we must do so in order to be able to compete with countries with low labour costs. We have done it in practically every other agricultural commodity, but I think two of the few remaining are the sugar beets and tobacco industries. Their problems in regard to sugar beets are being licked, and I look forward in a few years to this being a very mechanized industry; but we would like help to mechanize our burley industry.

Mr. DANFORTH: You spoke of the Harrow experimental station. This has been brought up by other witnesses. Can you give us an indication of how many scientists or technicians who are familiar with the industry are devoting their time to this particular problem at the present time at the Harrow experimental station?

Mr. CAMPBELL: I know of two who are full time men devoted to this problem, and they are mentioned in the brief—Mr. Haslam and Mr. Scott.

Mr. DANFORTH: Is it your opinion that if facilities were expanded the Harrow experimental station would be of direct benefit to this industry?

Mr. CAMPBELL: I am sure it would.

Mr. DANFORTH: You spoke of added facilities being considered for the Harrow experimental station. Can you give us some idea of what these added facilities would comprise?

Mr. CAMPBELL: Dr. Koch, the director there, has been telling us for the past three or four years that they have been trying to get a laboratory in which to conduct chemical tests which would indicate chlorine content and nicotine content so we can combine these tests with plant breeding, and visual definitions of quality. So far we have no equipment there which enables this work to be carried out. We think it is very important that this laboratory be added to the facilities of Harrow.

Mr. DANFORTH: Are you in a position to indicate to the committee the amount of funds that you would perhaps visualize as being necessary for this particular expenditure?

Mr. CAMPBELL: I cannot answer that question. I think Dr. Koch who has already appeared before this committee—

Mr. ROXBURGH: No.

Mr. DANFORTH: No, he has not.

Mr. CAMPBELL: I think he would be the man who would be in a position to answer that question: I have no idea.

Mr. DANFORTH: There is another question that I would like to put to Mr. Campbell. In how many areas in Canada is burley tobacco produced? Is it mainly in the area pointed out in this brief? Are there any other provinces?

Mr. CAMPBELL: Burley tobacco is grown in the provinces of Quebec and Ontario. I believe it has been tried experimentally for the last three years in Manitoba, and I think that experiment is being continued this year.

Mr. DANFORTH: I have one other question, Mr. Chairman, and then I will pass. The question is this: Is Harrow experimental station, to your knowledge, the only facility in Canada today that is directly working with burley tobacco and various experiments upon it?

Mr. CAMPBELL: Yes, I believe it is.

Mr. DANFORTH: I pass, Mr. Chairman.

The CHAIRMAN: Mr. Whelan.

Mr. WHELAN: First of all, I think probably some members of the committee are not familiar with the difference between flue-cured and burley tobaccos. I wonder if Mr. Campbell would briefly outline the differences in these two tobaccos?

Mr. CAMPBELL: If you have seen burley tobacco or any kind of tobacco growing you will have an idea of the plant. For flue-cured tobacco, the leaves are stripped from the stock as it stands in the field and hung up with string, tied to pickets and hung in a small barn, and cured with heat. In this curing process the leaf dies of thirst. In other words, the moisture is dried from the leaf quickly leaving the sugars and starches in the leaf. As opposed to that, for burley or cigar tobacco the whole stock is cut. Five of these plants are hung on what we call a picket, hung in a huge barn where it is air cured. This tobacco dies of starvation. I am describing the curing process. In that, the moisture travels through the stock or stem in to the leaf and back and forth. In the process of growing, the plant uses up the starches and sugars in the leaf. It starves to death and then it dies. In other words, it dries out. But, the two systems are different. In the one case you dry it quickly, leaving the sugars and starches in and in the other case you cure it slowly and they are all used up.

Mr. ROXBURGH: I might point out for the benefit of the members here who are not familiar with this industry in respect of flue-cured tobacco only the ripe leaves are picked.

Mr. WHELAN: Flue-cured tobacco is artificially dried in kilns and the burley is naturally dried in huge barns. In the case of flue-cured the tobacco is placed in kilns and cured with heat.

Mr. CAMPBELL: Yes.

Mr. WHELAN: I only made that comment because although I am quite familiar with the procedure I know that some members of this committee are not; they were asking when we came in what the difference was between the two procedures.

Mr. CAMPBELL: Perhaps I should bring to your attention the fact that the basic acreage in respect of flue-cured is six acres. Is that not right, Mr. Roxburgh?

Mr. ROXBURGH: Yes, that is correct.

Mr. CAMPBELL: In other words, to cure six acres of flue-cured tobacco requires one kiln valued at approximately \$1,500.

Mr. ROXBURGH: You are referring to the kiln itself?

Mr. CAMPBELL: Yes.

Mr. ROXBURGH: I would presume now that it is somewhere between \$1,500 and \$1,800.

Mr. CAMPBELL: Whereas, one barn will cure six acres of tobacco; that same barn, in curing six acres of burley tobacco, would cost approximately \$2,000 an acre; in other words, it would cost in the neighbourhood of \$12,000 to build a barn big enough to cure six acres. This is a field wherein we simply have to do something.

Mr. DOUCETT: In other words, a kiln will cure more than one fill but in naturally curing you just fill a barn of burley tobacco once?

Mr. CAMPBELL: That is right.

Mr. WHELAN: There is another subject I wish to comment on. Is the Harrow research station, which is in my constituency—and I must confess that I am not as familiar with it as possibly I should be—used for things other than what Mr. Danforth has referred to.

Mr. CAMPBELL: Oh, yes.

Mr. WHELAN: You also outlined in your brief and through questioning by Mr. Danforth the fact that they had developed the tobacco to such a degree that they produce so much more per acre; in other words, they had done a terrific job on research with the facilities at their disposal in so far as developing new plants and so on are concerned?

Mr. CAMPBELL: That is right. This is only part of it. Actually, what it has done is hurt us in the long run because we produce more tobacco; it costs us a tremendous amount of money to produce it, and now we cannot sell it.

Mr. WHELAN: But, they have developed a terrific strain.

Mr. CAMPBELL: Yes, they have done a wonderful job.

The CHAIRMAN: Would you proceed, Mr. Doucett.

Mr. DOUCETT: Mr. Campbell, first, I want to say that I appreciated the very condensed, concise and understandable brief which you have presented. You are to be congratulated.

I notice that there is a 20 per cent reduction in burley tobacco, which looks to be about 14 million pounds a year. In respect of 10 years you say 73 million, so it would be roughly that.

Mr. CAMPBELL: Yes, but divide that by 10.

Mr. DOUCETT: But, you used the figures 20 percent and 73 million.

Mr. CAMPBELL: Then I must have figured the 20 per cent on the 88 million.

Mr. DOUCETT: Well, that is all right; it does not matter. Is this reduction in burley tobacco due to the extra cost of production or to the lack of a market?

Mr. CAMPBELL: I would say some of each.

Mr. DOUCETT: You say some of each?

Mr. CAMPBELL: Yes. As I mentioned in the brief, when the old tobacco chewer dies we do not have any young people coming up to replace him.

Mr. DOUCETT: Well, do not be too sure of that.

Mr. CAMPBELL: This has caused a swing to a cigarette type. But, I do not think we were ready soon enough. Instead of doing it in 1961 we should have been doing it in 1951 when we noticed the trend swing to the cigarette type.

Mr. DOUCETT: What is the percentage of burley that we export? Is it increasing or decreasing?

Mr. CAMPBELL: For the last 20 years it has been about 19 per cent.

Mr. DOUCETT: Then it is not increasing?

Mr. CAMPBELL: For instance, in 1931 we exported 2,257,000 pounds and in 1963 we exported 2,263,000 pounds.

Mr. DOUCETT: That is a slight increase.

Mr. CAMPBELL: That is a slight increase, but the point is that Canada's gross national product is going up; everything has increased but we have stayed static.

Mr. DOUCETT: So, it would be natural to expect that tobacco export would go up?

Mr. CAMPBELL: Yes.

Mr. DOUCETT: You mentioned an important fact a while ago, that some of the countries in the world which are producing tobacco no doubt would be producing it at a much less cost than we are able to do because their labour costs have not gone up in comparison with ours. Is that a fair statement?

Mr. CAMPBELL: Five years ago there was no burley tobacco grown—except as an experiment—in southern Rhodesia, and this year they produced 10 million pounds.

Mr. DOUCETT: Perhaps this increase in tobacco production on their part would be because of their labour costs?

Mr. CAMPBELL: They are able to sell their tobacco, although it is not the quality of ours, as we understand it. It is because of the price.

Mr. DOUCETT: Are any increased efforts put forth by the growers or those people who handle it to increase the export market?

Mr. CAMPBELL: Yes.

Mr. DOUCETT: If we cannot train our people to chew it at home we will have to get rid of it.

Mr. CAMPBELL: Yes. We are co-operating with trade and commerce and with our buying companies and using every avenue that we as growers have, to promote our tobacco at home and overseas.

Mr. DOUCETT: Is it a fair assumption that there is a limited market at home, as a result of which any increase would have to be brought about by export abroad.

Mr. CAMPBELL: I think this is the same as most agricultural products we produce at home. For instance, there is a limited market in Canada for wheat because of our population.

Mr. DOUCETT: But, we must remember that consumption is increasing because of the population increase.

Mr. CAMPBELL: True. I think that increase is general in our burley consumption domestically.

Mr. DOUCETT: Well, according to the figures shown on production in respect of money received by the industry there is a very small profit. You did mention a while ago that the acreage produced had dropped about 50 per cent, from about 8,700 acres to 4,000 acres. Could you tell us what the farmers are doing in respect of this other 4,000 acres. Are they putting in other cash crops?

Mr. CAMPBELL: Yes, corn, soybeans, wheat and oats.

Mr. DOUCETT: So, while their income is down from tobacco they may have an equivalent or an increased income from the other crops?

Mr. CAMPBELL: I do not know of any increased income.

Mr. DOUCETT: No. It may be just a matter of keeping the land in production.

Mr. CAMPBELL: That is right.

Mr. DOUCETT: I think that is all. Thank you.

The CHAIRMAN: Would you proceed, Mr. Brown.

Mr. BROWN: Thank you, Mr. Chairman.

Mr. DOUCETT: I may have one or two questions which I wish to put later.

Mr. BROWN: Mr. Chairman, most of my questions already have been answered.

I also would like to commend Mr. Campbell for a very excellent brief. It is a very readable, concise and interesting brief.

I was going to ask whether any cigarettes were made from burley tobacco, but I was handed a Canadian cigarette made from Canadian burley tobacco, which I am rather enjoying.

Would you explain to the committee what the chief uses are of burley tobacco. Is it used chiefly for chewing tobacco? I am smoking a Canadian burley cigarette at the present time. Is it used extensively for that?

Mr. CAMPBELL: We have quite a few brands in Canada today which include burley tobaccos, namely Parliament and Alpine cigarettes, which are made by Benson and Hedges. These include Canadian burley but to what extent they will not tell us. We know it is upwards of 35 per cent of the blend. Also, those brands made by the Imperial Tobacco Company, such as Pall Mall, include burley tobacco. It is an American name but made under licence in Canada with all Canadian tobacco, and I guess perhaps as much as 35 per cent of that is burley. Buckingham and Winchester also include burley tobacco and have for many years.

Pipe tobacco is almost all burley. There is quite a bit of flue-cured in some kinds, I think Picobac is an all burley brand. There is some used in chewing. However, as I said, these fellows who chew are getting harder and harder to find. I understand that now there is an odd manufacturer making a cigar with a burley wrapper. This is something new to us as producers, however, I understand it can be done.

The CHAIRMAN: Would you proceed, Mr. Brown.

Mr. BROWN: Mr. Campbell, you explained to us the added cost of production resulting from the larger barns necessary for the curing of burley tobacco. In what other avenues are excessive costs incurred by the grower in the production of this burley tobacco?

Mr. CAMPBELL: At one time an acre of tobacco was planted with around 4,000 to 5,000 plants and we were growing 1,000 to 1,200 pounds to the acre; today the newer varieties grow straighter and do not lie over. As a result more can be grown in a smaller area; there was an increase in the population per acre to 10,000 plants. This has done two things. It has given us a type of tobacco suitable for cigarettes and increased our yields, as a result of which our average will not likely drop below one ton to the acre in the future. But, a man still has to handle every plant and every leaf, and this is where our tremendous heavier labour costs enter the picture. We do not have a cheap labour force such as is the case in Rhodesia, Argentina and Mexico, who are our major competitors.

Mr. BROWN: Has there been any experimental work done in this connection? I understand somewhere in your brief you mentioned a lesser amount of nicotine in burley tobacco.

Mr. CAMPBELL: Yes.

Mr. BROWN: Has anything been done to date in research which would show that burley tobacco is less dangerous to health?

Mr. CAMPBELL: Only that chemical tests have shown that burley, which is an air-cured type, as well as any of the others that we can think of, namely cigar tobacco, which is cured in this manner, are found to contain less of the irritants than are contained in flue-cured. But, whether it is safer or not we do not know, nor can anyone tell us.

Mr. BROWN: But, what you would like to see is more experimental work done in that regard? I am referring to research.

Mr. CAMPBELL: Production research, yes. We would like to see this other research done as well because it is to the advantage of everyone in the world who is a consumer, a smoker.

I think we have pioneered in many things in Canada and I see no reason why we cannot pioneer in indicating to the world that tobacco is no more injurious to our health than an overindulgence of alcohol.

Mr. BROWN: I think I can agree with you in that regard.

The CHAIRMAN: Would you proceed, Mr. Choquette.

Mr. CHOQUETTE: Mr. Chairman, may I congratulate Mr. Campbell for his very interesting brief.

(Translation)

If you will allow me I shall ask my questions in the language of Molière. On page two of your report I see that you state that tobacco production in the province of Quebec is on a fairly small scale. In your opinion, is there any prospect of increasing tobacco production in the province of Quebec?

(Text)

Mr. CAMPBELL: I certainly do. I feel that the province of Quebec has many areas that could grow tobacco. I am not too familiar with the areas but I do know that in the cigar tobacco producing area around St. Hilaire and Joliette there are good areas which would grow burley tobacco. However, I think the thing which is confining your industry in those areas is perhaps that your frost free period in those areas is perhaps shorter than it is in southwestern Ontario, and until varieties are developed that will adapt themselves to this shorter period it will be slow coming.

Mr. ROXBURGH: In other words, you are suggesting that some work should be done in respect of fast maturing varieties.

Mr. CAMPBELL: Yes, and there must be work done at the same time which would adapt this to mechanization. There is no reason why these should not complement one another.

(Translation)

Mr. CHOQUETTE: Could the financial assistance you are asking for be used on research to see to what extent it would be possible to increase production in the province of Quebec?

(Text)

Mr. CAMPBELL: Yes, it does.

(Translation)

Mr. CHOQUETTE: On page 5 of your report you say "Why can't it produce a safer cigarette?" And then you add "safer than what?" Do you believe that the cigarettes people are smoking today are of such quality that it is impossible to ensure greater protection for the health of the smokers, because that statement seems somewhat "ex-cathedra". You say "safer than what?" One can even feel that you are slightly impatient.

(Text)

Mr. CAMPBELL: That is true.

I attended and represented the burley tobacco industry at the conference on smoking and health last fall. One of the doctors in attendance at that meeting asked the industry this question: "Why can the industry not produce a safer cigarette?" Our answer was: "Safer than what?" They could not tell us why it was not safe. They could not tell us what was wrong with it, so until we know the answer to that question we do not know what we are fighting.

(Translation)

Mr. CHOQUETTE: But there is nevertheless a report, you must know about it of course, that was published in the United States in which it is categorically stated that tobacco is a health hazard.

(Text)

Mr. CAMPBELL: We are aware of this report but it is comparative. For instance, by using comparative statistics you can prove many things. Are you aware of the fact that the divorce rate in England goes up proportionately with the number of apples eaten in England?

(Translation)

Mr. CHOQUETTE: It has something to do with the Adam's apple.

Mr. ASSELIN: Or maybe with Eve.

Mr. PIGEON: Mr. Chairman, I would like . . .

Mr. CHOQUETTE: Now, I asked that question because I noticed that you are somewhat ironical about the Minister of Health in the last paragraph of page 4. I do not know how long the tobacco people have been asking for government assistance. I suppose you have been making claims for a number of years. But this year you seem to be more insistent—we heard Mr. Newell last week—have you felt obliged to be on the defensive these past few months, I might say; there seems to be a more aggressive feeling towards the tobacco industry. So do you feel somewhat on the defensive and is that why you are so energetically asking for financial assistance to start a more thorough research programme?

(Text)

Mr. DROUIN: Adam and Eve.

Mr. ROXBURGH: It is a long time.

Mr. CAMPBELL: Yes. I do not feel that we are in that position at the present time. Our industry feels that we in the burley tobacco section in any event, should be asking for this type of research. We should not even be producing tobacco if it is proven to us that it is poison. Therefore we are not on the defensive. We want people who smoke our product to know that it is safe or not safe. If it is not safe we are not in a position to be asking the people to smoke this product today.

(Translation)

Mr. CHOQUETTE: I also see in your report that the tobacco industry has spent thousands of dollars to find what really causes cancer. Have you been spending such large amounts for that purpose for a long time?

(Text)

Mr. CAMPBELL: I think this expenditure started approximately three years ago by the industry, and I mean the manufacturers of cigarettes. They devoted \$300,000 to various cancer societies and the medical association to conduct

research entirely in respect of the cause of lung cancer. I understand in one of the universities \$200,000 has been used for this purpose, but it was admitted here last fall by, I think, Dr. Wigle head of the Canadian Medical Association, that at the moment there is no research done in Canada in an attempt to find the cause of lung cancer.

This type of research, of course, would cover a large field and would not be conducted purely in respect of tobacco. It was to be conducted to find the cause of lung cancer. There are many things which can be tied to lung cancer statistically and I have mentioned a few of them in the brief. We would like to know definitely for our consumers what is the cause.

(Translation)

Mr. CHOQUETTE: Thank you very much, Mr. Campbell. If you will allow me to make a suggestion I would not like you to interpret it as a criticism, but I think you would get better publicity when you submit reports if you would be good enough to submit them in both languages because I notice that last week Mr. Newell submitted a very interesting report, yours is very interesting too. I shall take the opportunity to read it again and if in the future you could submit them in both languages we would be delighted.

(Text)

Mr. CAMPBELL: Thank you.

The CHAIRMAN: Mr. Pigeon?

Mr. PIGEON: Mr. Chairman, I am referring to page 1 of the brief where you indicate that world production and consumption are rising but Canada's burley production has decreased approximately 20 per cent. There are many possibilities in Canada of growing more burley tobacco and other varieties. Do you think it would be advantageous for the Department of Trade and Commerce to send specialists around the world in an attempt to locate markets? I understand that at the present time we do not have one branch in the Department of Trade and Commerce with specialists attempting to find markets around the world for Canadian tobacco.

Mr. CAMPBELL: I think the gentleman over on this side asked me earlier what we are doing as an industry to promote the export sale of tobacco. Your suggestion has been acted upon and we have contacted the Department of Trade and Commerce in this regard. The flue-cured tobacco growers have set \$60,000 aside for this purpose. In an attempt to help pay our own way, we contacted the trade and commerce department, which suggested that we employ one of their experienced men who is just retiring. A man who is in good health and active and could perhaps assist us for one or two years until we train a man. We feel that a professional man is needed although not necessarily an individual versed in all the different types of production. He must be accustomed to selling.

Mr. PIGEON: I must congratulate the tobacco growers and the industry for pushing export markets but do you feel that the Department of Trade of Commerce could do a better job and go further in this regard?

Mr. CAMPBELL: Yes, we feel they could.

Mr. PIGEON: Do you suggest they could do something to increase our markets overseas?

Mr. CAMPBELL: In the case of burley tobacco, of which I am speaking, it is only since the 1961 crop that we have been growing the type of burley tobacco that the export markets of the world want, and for this reason it really is too new to be known yet. This is the area in which there must be an effort made. We must take this tobacco to those places where there is a market

and be able to compete pricewise. We do produce the quality but somewhere along the line we will have to reduce our cost to that point where we can sell our tobacco for less. We must find out how to produce it for less to begin with and sell it for less in world markets. We are competitive qualitywise at the present time but we have to reduce our costs.

Mr. PIGEON: I have one question in respect of pages 4 and 5 of your brief. On page 4 you state:

The medical association and our own minister of health have branded our industry with the skull and crossbones of poison.

I have a very direct question to ask you. Do you think it normal for a minister of the crown to make such a statement and to vote \$400,000 to fight against tobacco while at the same time the government is spending absolutely nothing on research?

Mr. CHOQUETTE: I think that is out of order, Mr. Chairman, because Mr. Campbell is not here to assume the responsibility for our minister's statement. I do not think you have to answer that question.

Mr. PIGEON: Mr. Chairman, on this point of order I think I am right.

Mr. WHELAN: You are always right.

Mr. PIGEON: Mr. Campbell in his brief has referred on those two pages to the minister of health, and stated that the federal government is spending \$400,000 on educational programs in an attempt to dissuade children of school age from smoking. That is why I asked this question. Mr. Campbell has mentioned the fact that the government is spending absolutely nothing on research to determine the cause of lung cancer. The industry has spent money on research but I do not know whether the tobacco growers of Ontario have the same reaction to the minister's public statement and announcement in the House of Commons as the reaction of the growers in my area of the province of Quebec. The tobacco growers there are very anxious and apprehensive about this statement.

The CHAIRMAN: Are you speaking on the point of order?

Mr. CHOQUETTE: I think he is out of order on the point of order.

The CHAIRMAN: Would you come quickly to your argument in respect of the point of order because I should like to rule on it and then proceed with our discussions.

Mr. PIGEON: I think I have the right to ask this type of question.

(Translation)

Mr. ASSELIN (*Richmond-Wolfe*): On the point of order, Mr. Chairman . . .

(Text)

The CHAIRMAN: I should like to make a ruling on the point of order.

Mr. NASSERDEN: Before you make a ruling, Mr. Chairman, I should like to say one or two words on this subject.

The CHAIRMAN: I am sorry.

Mr. NASSERDEN: I am not too sure what the point of order is, but if the point of order is that no reference should be made to the fact that nothing is being spent on research today while more than a half million dollars is spent on a program to discourage the use of tobacco in this country, then there is no point of order.

Mr. CHOQUETTE: That is not the point of order, Mr. Chairman. As you just mentioned, you are not sure what the point of order is so I will clear my position.

Mr. WHELAN: That is a good idea.

Mr. CHOQUETTE: I will make my clarification in French because I am not too clever in English.

(Translation)

Mr. CHOQUETTE: Mr. Chairman, my honourable friend wishes to ask the witness if he agrees with the statements of the minister of Health. The minister of National Health may make the statements she deems her duty to make, but an expert witness cannot be called upon to approve or disapprove, or to express an opinion on the statements of that minister. I think he has the right to defend the rights of the tobacco industry for which he is fighting. I congratulate him for this, but we cannot ask a witness to express his opinion on statements made by the minister of National Health, and to say whether or not the minister is right in making such statements. That is not in order.

Mr. PIGEON: Mr. Chairman...

(Text)

The CHAIRMAN: Mr. Nasserden?

Mr. NASSERDEN: I am not arguing with what the member has said, but a question comes to my mind which perhaps the witness can answer after you have disposed of the point of order. I should like to know whether or not any money is actually being spent on research at the present time to take care of this problem. I think that the member for Joliette-L'Assomption-Montcalm had a very valid point when he raised this question. More than half a million dollars is being spent in one direction yet nothing is being spent in the direction of solving the problem which may be at stake in this regard.

Mr. DANFORTH: I should like to speak on the point of order. I believe any question that relates to the effect on the tobacco industry of a statement made by a minister publicly in the House of Commons should be allowed as part of the proceedings of this committee, because it does have a definite bearing on the industry. Since this question was referred to in the brief and accepted during the reading of the brief and has not been the subject of a point of order up until this time I feel the member of this committee is quite within his rights to question the witness on this particular point. I do not believe there is any point of order.

(Translation)

Mr. PIGEON: I believe I had the right to ask my question.

(Text)

Mr. MULLALLY: Mr. Chairman, in respect of this particular matter, I believe the money was assigned for this particular research work and the statement was made following a medical conference between the provinces. I think there was an agreement between the provinces of Canada and the federal government and I do not think the federal minister should be placed in the position of accepting the responsibility for a statement which she had to make. I think the statement was made as a result of an agreement reached between the federal government and the governments of the provinces.

(Translation)

Mr. CHOQUETTE: Mr. Chairman, before you make your ruling, would the official stenographer read the question as asked by Mr. Pigeon?

(Text)

Mr. PIGEON: I remember what I said.

Mr. CHOQUETTE: I am not so sure.

(Translation)

Mr. ASSELIN: Mr. Chairman, would it be possible to grant more money they need for research?

(Text)

The CHAIRMAN: Order, please.

(Translation)

Mr. CHOQUETTE: Mr. Chairman, would you please authorize the reading of the question asked by Mr. Pigeon?

(Text)

The CHAIRMAN: Order.

(Translation)

Mr. PIGEON: I do not object.

(Text)

The CHAIRMAN: If it is the wish of the committee to have the question read back by the reporter I will ask him to do so. However, I can recall the question. Does the committee wish to have the question read back?

(Translation)

Mr. PIGEON: I have no objection. I do not regret what I said.

(Text)

The CHAIRMAN: I think the question may have been asked in French and it may be difficult to have it read back.

Mr. DOUCETT, do you have something you wish to say in respect of the point of order?

Mr. CHOQUETTE: Would you read the question?

The CHAIRMAN: Do you have something to say in respect of the point of order?

Mr. DOUCETT: I should like to make a remark in respect of that which we are discussing. I do not know where we are going in this argument but I think Mr. Campbell was quite right and justified in putting this particular argument in his brief and before the committee.

Mr. CHOQUETTE: Mr. Chairman, the member is not speaking to the point of order. I think you must dispose of this point of order before we proceed with other matters.

The CHAIRMAN: I should like to dispose of the point of order.

Mr. CHOQUETTE: Would you ask Mr. Pigeon whether he cares to repeat himself?

Mr. DOUCETT: What I have to say I shall say later.

The CHAIRMAN: Mr. Pigeon, would you repeat your question?

(Translation)

Mr. PIGEON: I will repeat my question in French. I asked if Mr. Campbell thought it normal for a minister of the Crown—in this instance, the minister of National Health—to appropriate an amount of \$400,000 and make a statement against the use of tobacco, when the federal government—in this instance, the minister of National Health—does not spend any money to prove and has proved nothing, since it spends no money for research purposes in order to prove that tobacco is the cause of cancer?

(Text)

The CHAIRMAN: If the committee will permit me, I think what Mr. Pigeon has asked in his question is for an expression of opinion from the witness on the matter of policy or a decision taken by the ministry as announced by the Minister of National Health and Welfare. In the context of this examination by this committee I think that is a relevant question. I appreciate—and I am sure all members of the committee appreciate—that Mr. Campbell is being asked for a personal opinion and, with respect to Mr. Choquette and others who have argued on the point of order, I have to rule that the question is within the bounds of relevance and is nothing more than asking for an expression of opinion. I think the witness should answer.

Mr. CAMPBELL: It was a little baffling to us as growers and producers why the Minister of National Health and Welfare would put this label of poison on our industry without some obligation to the people of Canada and their health. We think it is fine that \$400,000 should be spent for educational purposes for the children. I do not think any of us like to see teenagers running around with cigarettes in their mouths.

However, I think the health problem should be investigated for us who do smoke. We just question whether the minister should not be devoting some of her time to the health of the nation by designating some of this money to definite research on causes. The industry has shown its willingness to give some money towards this sort of thing and it is not being used. We just wonder and question who is right in this matter. Here is the money devoted for this study, and yet nobody is studying it.

Mr. PIGEON: If we—that is, all members here who are working in the public interest and in the interest of tobacco growers—were to ask the government or the Minister of National Health and Welfare to cancel this \$400,000 and to place it in research in order to prove first if tobacco is responsible for cancer, would this in your opinion be the correct course to take? After that is done the government could take steps, but I think of first importance is for the Department of National Health and Welfare to devote money for research along these lines.

Mr. CAMPBELL: I do not think it is up to us as producers to reverse the decision of the minister, but we would definitely like to see research undertaken as to actual causes of lung cancer.

Mr. PIGEON: Since the minister made her statement in the house, have you any figures to show how much the consumption of tobacco has decreased in Canada? Have you any idea of that?

Mr. CAMPBELL: I think it is still affecting us, but to what extent I do not know. I cannot answer that. This could perhaps come from the manufacturing end.

Mr. PIGEON: Do you think the industry could make an agreement with the federal government to have a program on research in conjunction with the Department of National Health and Welfare? Do they have that type of program in the United States?

Mr. CAMPBELL: I understand that the United States have just devoted \$10 million to this type of research.

Mr. PIGEON: The United States government?

Mr. CAMPBELL: Government and industry.

Mr. PIGEON: Do you know which department of government?

Mr. CAMPBELL: I do not know but I can find out.

Mr. ROXBURGH: It is under agriculture.

The CHAIRMAN: As I understand Mr. Pigeon's question, he is asking what percentage of the \$10 million is contributed by the government. Is that your question?

Mr. PIGEON: Yes.

Mr. CAMPBELL: I do not know.

Mr. PIGEON: Thank you for your co-operation, Mr. Campbell.

The CHAIRMAN: Mr. Roxburgh.

Mr. ROXBURGH: As has been stated by other members, I would like to say that this is a wonderful brief; it is just the type of brief we all like—it is understandable.

Most of the questions I had in mind have been answered. However, I was interested in which countries have been taking the export market from Canada since we have not been keeping up with the times, shall we say. Which are the countries that have taken away that export trade, which was considerable?

Mr. CAMPBELL: I would say the Rhodesias, Japan, India, Mexico and Brazil.

Mr. ROXBURGH: Then it is quite a number of countries, in other words.

You have talked about mechanization and the importance of mechanization and the importance of money being devoted to experiments to give us better mechanization of the tobacco industry so that we can cut down on costs.

Moneys have been given, and in this context Mr. Pigeon and others—especially Mr. Pigeon—have brought up the matter of exports. If, for example, you go ahead and spend all the money and you get a certain amount of mechanization, that will not help very much if we have no export market. As I understand, in the past Rhodesia has gained on our flue-cured production and now, evidently, on our burley. They have spent certain research moneys on the selling of tobacco and the promotion of tobacco in the world market. What percentage of the moneys should be spent on these aspects? Which is the most important? What are your thoughts on something being done in this regard? You have already told us what you have been doing. The flue-cured people have put up \$60,000. What do you feel about moneys granted by the government for experimental work? What percentage of any moneys provided should be spent on these aspects? How would you divide it between the export market and research?

Mr. CAMPBELL: I think the industry and the producers would carry the brunt of the load in respect of money being spent to promote export markets. I think the Department of Trade and Commerce, through their existing facilities, could help out in that respect, but we would like to see the greatest amount of this money spent on actual production research to lower our costs. I think we can handle the other part of it at the moment, without too much cost to the federal government, through the Department of Trade and Commerce.

Mr. ROXBURGH: You mentioned that there were just two men at the Harrow experimental station and you have given your opinion that more money should be spent in training scientists. At the present time it appears that the brains, whether for tobacco or anything else, are going across the line. Have you any thoughts at all on what should take place, say, if moneys are granted? There certainly is a lack of qualified men at the present time.

Mr. CAMPBELL: I think everyone—and I mean people in agriculture, industry, education and so on—is well aware of the problem we have in the lack of trained people.

Mr. ROXBURGH: In other words, there should be a course for this, a special course, whether at an agricultural college or some other place?

Mr. CAMPBELL: I think it is all tied in with facilities, too. We have insufficient facilities to have enough people in these schools to give us enough scientists coming up to keep a few here, let alone have some going across the border.

Mr. ROXBURGH: In other words, facilities are as greatly needed as mechanization?

Mr. CAMPBELL: Yes, I think so. That, I believe, is being taken care of by the educational committees, and so on, that we have in Canada today.

Mr. ROXBURGH: That is all I have to say.

Mr. WATSON (*Assiniboia*): I would like to congratulate Mr. Campbell on his brief; it is the type of brief I like—short and to the point. It makes me think that Mr. Campbell must have been a farmer himself at one time and did not get lost in words.

Mr. CAMPBELL: I am still.

Mr. WATSON (*Assiniboia*): One of my questions has been partially answered. This is in regard to the \$600,000 that has been set aside by the federal government for an educational program to dissuade the school children from starting to smoke. I wanted to ask Mr. Campbell if he had any personal objection to this type of program.

Mr. CAMPBELL: I think I mentioned earlier that none of us likes to see our school children running around with cigarettes hanging out of their mouths; and therefore, I do not think we disapprove of this.

Mr. WATSON (*Assiniboia*): I believe it was Mr. Whelan who asked you to explain the difference between burley tobacco and flue-cured tobacco. In this type of tobacco I believe it is stated in the brief that 20 per cent of the tobacco is on the stem or that 20 per cent of the plant is in the stem. Can the stem of all tobacco plants be used for tobacco purposes?

Mr. CAMPBELL: No. At the moment I think the flue-cured stems are being used, but no burley or cigar types are being used to my knowledge.

Mr. WATSON (*Assiniboia*): In other words, there is only 80 per cent of this particular type of tobacco plant that is used for tobacco purposes?

Mr. CAMPBELL: That is right.

Mr. WATSON (*Assiniboia*): On page two you mention that there are 3,000 burley tobacco farmers. I wonder what would be the average size of a tobacco farm?

Mr. CAMPBELL: Do you mean total acres?

Mr. WATSON (*Assiniboia*): Do you not reduce every year on total acres for tobacco?

Mr. CAMPBELL: Yes. I think our average farms in total would be 100 acre farms, but our average over the whole area is somewhere over two acres of allotted burley. Average farms are 100 acres and the average acreage is around two acres. Some may grow only half an acre and others may grow 18 to 20 acres.

Mr. WATSON (*Assiniboia*): The capital investment in land for burley tobacco production is approximately \$6,625,000?

Mr. CAMPBELL: That is right. We calculate this against the allotted acreage.

Mr. WATSON (*Assiniboia*): In other words, the average farm is 100 acres—

Mr. CAMPBELL: Yes.

Mr. WATSON (*Assiniboia*): —and if the total investment is \$6½ million, this is roughly \$200 per acre.

Mr. CAMPBELL: In connection with that portion allotted to tobacco, yes.

Mr. WATSON (*Assiniboia*): Then the two acres of the 100 acre farm will be worth approximately \$200 per acre?

Mr. CAMPBELL: They will be worth \$1,000 per acre.

Mr. DANFORTH: Mr. Chairman, I think it might clear up some of Mr. Watson's difficulty if he recalls an answer given to a previous question by Mr. Campbell. Mr. Campbell stated that at the present time only 25 per cent of the acreage is growing tobacco owing to voluntary curtailment by the tobacco growers themselves.

Mr. WATSON (*Assiniboia*): Then, in other words, there are 3,000 burley tobacco farmers with an average of two acres.

Mr. CAMPBELL: That is right.

Mr. WATSON (*Assiniboia*): So only 6,000 acres are producing burley tobacco?

Mr. CAMPBELL: That is the allotted acreage; that is right.

Mr. DANFORTH: It is only 25 per cent of the actual base production. In other words, it would be four times that much if all the tobacco that the tobacco growers could now produce could be sold.

Mr. WATSON (*Assiniboia*): I believe you stated previously that you felt there should be some help given to mechanize the tobacco growers. I wonder what line of mechanization you would be thinking of here. I am a western farmer and I might explain that if western farmers wish to mechanize, this is their own personal choice. We either mechanize or we go along with horses, but the government does not come along and help us to mechanize. I wonder what your thinking was when you said this.

Mr. CAMPBELL: My thinking is this: with an average two acre allotment, I cannot afford a \$6,000 machine to harvest tobacco but the government can help us to divide a \$6,000 machine that can be used by 25 people.

Mr. WATSON (*Assiniboia*): In other words, the government would possibly supply a machine that the farmers in this area could rent?

Mr. CAMPBELL: Or they could design a machine that we could build. I do not think there is enough volume involved to interest a machinery company in going ahead and conducting a great deal of research.

Mr. WATSON (*Assiniboia*): Would you not think, then, that possibly the tobacco growers who want to mechanize or believe they should be mechanized would have a better idea of the type of implement they want than anybody in a government department?

Mr. CAMPBELL: I think because our government is conducting research in all phases and its officials live and work in the tobacco area with the tobacco farmer, as a result of which they are not out of touch. They are right there and they know what our needs are. As a matter of fact, they are co-operating or could co-operate toward this end with the research already started in the United States. But, we feel we should be doing some of our own in Canada. Conditions are different here.

Mr. ALKENBRACK: Mr. Chairman, I regret my late arrival; I had another appointment on an agricultural matter downtown.

From my brief perusal of the brief I would like to congratulate Mr. Campbell for his frankness and the candid manner in which this brief was written up and presented.

I have a few questions.

I notice that you admit that both world production and consumption are rising at the present time. Under these circumstances would you not admit that our world prices must be more or less accepted and that the grower or the organization cannot expect to maintain the former high prices that were obtained?

Mr. CAMPBELL: I think you are right.

Mr. ALKENBRACK: That is the status quo which has been created should be accepted more or less. Do you not feel this way?

Mr. CAMPBELL: Do you mean we should employ ways and means to reduce our prices?

Mr. ALKENBRACK: No, no, but do you not feel you should go along with the tide in a natural way, like the potato growers more or less, are forced to do despite their search for new markets and new methods of putting up their crop?

Mr. CAMPBELL: Forced to do what?

Mr. ALKENBRACK: Of course, the wheat producer is now riding on a strong tide of wheat sales, but he has to go with the tide as well.

Mr. CAMPBELL: That is right. I think we are quite prepared to do the same.

Mr. ALKENBRACK: Does Canada not grow the finest burley in the world?

Mr. CAMPBELL: United States burley is still considered number one.

Mr. ALKENBRACK: But that is more or less an artificial elevation due to the reputation that has been created in respect of United States burley, is it not?

Mr. CAMPBELL: It is mainly because of their promotional work, yes. I think we have equally good tobacco.

Mr. ALKENBRACK: Mechanization has been mentioned this morning. Do you think that tobacco production can be further mechanized than it is?

Mr. CAMPBELL: Yes.

Mr. ALKENBRACK: Is there a machine that will pick tobacco?

Mr. CAMPBELL: Yes, they have one in the United States, I understand, that will pick the leaves off standing tobacco in the case of flue-cured.

Mr. ALKENBRACK: Does it have a brain that will discern a marketable leaf from a leaf of poor quality, let us say?

Mr. CAMPBELL: I think this is the operator's decision.

Mr. ALKENBRACK: Then they still require an operator? I was under the impression that harvesting of tobacco was strictly manual labour and that the person who does so must also have training in order to know what is marketable and what is not.

Mr. CAMPBELL: That is true. But, in all cases you do not get people like this, so I think the machine would be adequate.

Mr. ALKENBRACK: Do you advocate more government financial assistance in respect of the production end of the industry?

Mr. CAMPBELL: I think it will be required in order to implement our recommendations.

Mr. ALKENBRACK: Thank you. How do you justify the discrimination that is practised against certain areas which grow tobacco but cannot sell it. If they do produce it they are precluded from selling it in your market.

Mr. CAMPBELL: So far as burley is concerned we have been taking on new growers as fast as the consumption of our product will permit. It is our policy to continue to expand and include new growers as soon as it is economically feasible to do so.

Mr. ALKENBRACK: Then you will pardon me for saying that discrimination is practised. We are informed that in respect of certain types of tobacco—and, it may not be your type—discrimination is practised in the market. For example, Mr. Campbell, in the north end of the county where I live—and, I am referring to the Addington portion of Lennox-Addington—there is an area which would consist of approximately 4,000 or 5,000 acres. It is a sort of little belt of flat sandy land which, at one time years ago, produced the finest white pine timber in the world. You will readily recognize that type of land. It will grow first class tobacco. However, a friend of mine there has experienced some difficulties. Two years ago I called in to see him. I had not seen him for quite a while. He offered me some tobacco. You see, I was getting out my cigarettes because at that time I smoked and he said to me: "have some good tobacco." So, I rolled a cigarette of this locally produced tobacco and it was as good as the tobacco I had in my pocket. This gentlemen told me that he had a half ton of that tobacco hanging up in his barn and he could not sell it. So far as I know, it is there still. In my opinion, that is discrimination. That man is also one of the taxpayers whom you are asking to help foot the bill for this research and yet he cannot sell his tobacco.

Mr. CAMPBELL: You are speaking on a very complex problem which the whole industry all over the world is considering at the moment, and it is a real problem. Now, should we do it as they do in the United States, let your friend grow tobacco, and my friends? May I say that I have four barns and my allotment this year is one half an acre. I am just growing that one half acre because I can sell it. But, I could not sell my four barns full. Should we do as the United States government does, pick up the tab for the millions of pounds that would be grown over and above what we could sell, stockpile it and so on? If so, this would take a tremendous amount of money to which you and I would have to contribute in order to stockpile something for which we have no market. This is one side of the question.

Mr. ALKENBRACK: Well, do you not agree that I have made my point, that if this man is precluded from marketing tobacco which he grows, then he should be excused from paying tax for research in the sum you request.

Mr. CAMPBELL: No more than he should be excluded from paying his portion of the \$12 million that we contribute to the gold industry in Canada today. As you know, the federal government subsidizes the gold industry to the amount of \$12 million. I think I am correct in that. I do not think he should be precluded in the tobacco industry any less than he should be in this connection.

Mr. ALKENBRACK: But, this is not a parallel; the government will buy all the gold that is produced. There is no one excluded from the gold market, and, likewise, no one is excluded from the subsidies. But, here we have a man, a taxpayer, who is precluded from selling his tobacco, and it is still hanging in the barn. It might be useful for your organization to know that this is an area which could grow as good a tobacco as they grow in Orono or in Norfolk county.

Mr. CAMPBELL: I think you have opened up a real problem in the industry today. I know the industry would welcome any concrete suggestions which would correct that so that your friend would not be discriminated against, as you say. I do not like the word "discriminate", but it has been used, and if there was any way we could alter this I think through research is one way we could do it.

Mr. ROXBURGH: I would like to draw to your attention that this is not a federal matter; this is strictly controlled by the provincial marketing board. The federal government, no matter what party is in power, has nothing to do with this.

Mr. ALKENBRACK: Thank you.

The CHAIRMAN: You are next, Mr. Rapp.

Mr. RAPP: Mr. Chairman, perhaps we should adjourn. There is no quorum here and it is past 12 o'clock.

The CHAIRMAN: I think Mr. Nasserden and Mr. Bechard, who are the only two members of the committee who have indicated that they want to ask further questions, should be given an opportunity to do so at this time.

Mr. BECHARD: My question is very short.

The CHAIRMAN: I will leave it to the committee. But, if it is your wish to complete this this morning I think possibly we could do it.

Mr. NASSERDEN: Would I be right in drawing the conclusion that your association, Mr. Campbell, would like to see some money spent on research to determine the cause of lung cancer?

Mr. CAMPBELL: I must definitely say yes.

Mr. NASSERDEN: As you know, that is one of the problems with which we are faced today.

Mr. CAMPBELL: Yes.

Mr. NASSERDEN: Are these machines for harvesting mostly a custom built type of thing?

Mr. CAMPBELL: This is the way the research is being conducted in the United States. It is a custom, more or less, hand built machine, but eventually it will come to a design which, no doubt, will be acceptable.

Mr. NASSERDEN: There is one further question I would like to ask. Has any evidence come to your attention that the companies which manufacture and sell cigarettes, cigars, and so on, have investments in other countries?

Mr. CAMPBELL: Do you mean for producing tobacco?

Mr. NASSERDEN: Yes, countries which might have low labour costs.

Mr. CAMPBELL: No Canadian companies that I know of operate there as Canadian companies; their affiliates might. But, I do not think any Canadian companies are doing this. They are interested in Canadian production and they are willing to help us.

Mr. NASSERDEN: You do not think that that has been a factor in us losing any of our market?

Mr. CAMPBELL: I do not think so.

Mr. NASSERDEN: Thank you very much.

(Translation)

Mr. BÉCHARD: Mr. Chairman, to follow the same line as my colleague from Joliette-L'Assomption-Montcalm, does Mr. Campbell believe that the recent decision of the government of the United States, as reported in the newspapers yesterday, I believe, to compel the tobacco manufacturers to mention in their advertisements that the use of tobacco is dangerous and can cause death, may be detrimental to the Canadian tobacco industry as much as spending \$400,000 in order to warn young people against the dangers of cigarettes and tobacco? Do you think that this can be detrimental to the Canadian tobacco industry?

(Text)

Mr. PIGEON: On a point of order, Mr. Chairman, we have no quorum now.

Mr. ASSELIN: I see a quorum.

The CHAIRMAN: Were you going to say something?

Mr. CAMPBELL: That is rather hard to say. I think the implications of the testing done in the United States and in England a couple of years ago have been felt in the whole industry. It is being felt in Canada today as a result of our conferences last fall. I do not know to what extent this has gone forward or to what extent this would deter people from smoking, were this published on packages.

(Translation)

Mr. CHOQUETTE: Mr. Chairman, I wish to ask a supplementary question—the last one. With the important sum of \$600,000 which the tobacco industry spent in research concerning the causes of cancer, was this research sufficiently extensive to establish a link between cigarettes and lung cancer, or through this investigation, was it proved that there is no relation between cigarettes, tobacco and cancer of the lungs?

(Text)

Mr. CAMPBELL: We hope this research will find that out for us, but we have no idea how much money it might require. Cancer is a very complex disease, and that which might cause lung cancer might not cause liver cancer or cirrhosis.

(Translation)

Mr. CHOQUETTE: However, until now, through those \$600,000 spent in this investigation, it has not yet been proved and it has not yet been suspected that there is a link between cancer and cigarettes.

(Text)

Mr. CAMPBELL: I do not think the \$400,000 program was designed to designate any connection, but was designed as an educational program. I do not think it was designed to assist in research in respect of the discovery or cause of cancer.

(Translation)

Mr. CHOQUETTE: I am sorry, Mr. Chairman, I wish to say that the tobacco industry has spent \$300,000, I believe, in research to discover more thoroughly the causes of cancer. Does that not appear in your report?

(Text)

Three hundred thousand dollars has been provided by the Canadian tobacco industry for research to determine the cause of lung cancer.

(Translation)

Did this \$300,000 investigation establish the possibility of a link between cancer and tobacco?

(Text)

Mr. CAMPBELL: I think not. The \$200,000 was spent with no definite results and I think the research has been discontinued.

(Translation)

Mr. CHOQUETTE: But you did not eliminate categorically the possibility of a link?

(Text)

Mr. CAMPBELL: No.

(Translation)

Mr. CHOQUETTE: One last question: Is smoking good for our health?

(Text)

The CHAIRMAN: That may be a difficult question to answer.

Mr. DANFORTH: Mr. Chairman, I think that is an unfair question for the witness to answer.

The CHAIRMAN: I think I should say that this is an expression of opinion, and I do not think the committee members wish to embarrass the witness in his capacity here this morning. If he wishes I think he may be excused from answering.

Mr. CAMPBELL: May I say personally that I really enjoy smoking.

Some hon. MEMBERS: Hear, hear.

The CHAIRMAN: Do you have any further questions Mr. Béchard?

Mr. BÉCHARD: No.

The CHAIRMAN: Mr. McBain has indicated he would like to ask several questions. Is it the wish of this committee to finish our hearing this morning?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: Mr. Whelan has indicated he has a supplementary question to ask, following Mr. McBain.

Mr. MCBAIN: The main portion of my questions has been answered by Mr. Campbell. Mr. Campbell did mention that No. 1 burley tobacco was grown in the United States. I wonder whether Mr. Campbell could tell the committee where in the United States it is grown? Is it grown in the same areas of the United States which produce flue-cured tobacco?

Mr. CAMPBELL: No, it is grown in a different area. It is grown in Kentucky and some in the Carolinas. It is mainly grown in Kentucky. It is grown in soil much like we have in southwestern Ontario, as against flue-cured tobacco which is grown in Virginia on much sandier land.

Mr. MCBAIN: Are their harvesting methods similar to ours in Ontario?

Mr. CAMPBELL: They are very much the same.

Mr. MCBAIN: Mr. Campbell, I believe the flue-cured tobacco board voluntarily declined to grow tobacco in one year. Could you tell us what year that was?

Mr. CAMPBELL: It was the burley tobacco board which voluntarily declined to grow tobacco in 1960.

Mr. MCBAIN: Mr. Campbell, can you give us the average prices obtained in 1961, 1962 and 1963?

Mr. CAMPBELL: The average price obtained in 1961 was \$37.39 per 100 pounds; in 1962, \$40.28 per 100 pounds and in 1963, \$39.72 per 100 pounds.

Mr. MCBAIN: Has the small increase kept up with the increase in cost of production?

Mr. CAMPBELL: 1963 was the first year that we had a cost study carried out. Our growers, of course, have kept some records on their own and feel we are not keeping up.

Mr. MCBAIN: Those are all the questions I have to ask at this time.

The CHAIRMAN: Do you have a supplementary question, Mr. Whelan?

Mr. WHELAN: I wished to ask a supplementary question when we were discussing research. I wanted to ask Mr. Campbell whether he was aware that when the estimates were placed before the House of Commons the minister announced that he was definitely going to recommend an advanced program on research in respect of agriculture. Were you aware of that fact?

Mr. CAMPBELL: That research program is to be directed toward research in respect of what product?

Mr. WHELAN: It is to be directed toward the production of everything that pertains to agricultural products in Canada.

Mr. CAMPBELL: I am very pleased to know of that situation.

Mr. WHELAN: I think all members of the House of Commons concurred in that intention at the time.

The CHAIRMAN: Thank you Mr. Whelan.

I think it is the consensus of the committee that we now adjourn. I know all members would like me to thank Mr. Campbell for being here this morning.

Some hon. MEMBERS: Hear, hear.

The CHAIRMAN: Perhaps I should indicate that next week we will have witnesses from the tobacco industry in Quebec. I think it is the hope of the steering committee that either next week or the week following we will end up our study in respect of tobacco. As all members will recall, yesterday an order of reference from the House of Commons returned to us the matter of a study in respect of eastern feed grains.

Thank you very much.

HOUSE OF COMMONS
Second Session—Twenty-sixth Parliament
1964

STANDING COMMITTEE
ON
Agriculture and Colonization

Chairman: RUSSELL C. HONEY, *Esq.*

MINUTES OF PROCEEDINGS AND EVIDENCE
No. 5

Respecting
PRODUCTION AND PROCESSING OF TOBACCO

THURSDAY, JULY 9, 1964

WITNESSES:

From The Tobacco Cooperative Society of the District of Joliette: Mr. Médard LaSalle, President and Mr. Liguori Bois, Secretary-Manager. *From The Agricultural Cooperative Society of the Yamaska Valley:* Mr. Alfred Ducharme, President and Mr. Sarto Gingras, Manager. *From the "Coopérative Fédérée de Québec":* Mr. Georges E. Turcotte, Joint-Manager. *From The Producers of Yellow Tobacco of the Province of Quebec:* Mr. Henri Gagnon, Secretary and Mr. Jean-Paul Corriveau, Agronomist.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1964

STANDING COMMITTEE
ON
AGRICULTURE AND COLONIZATION

Chairman: Russell C. Honey, Esq.

Vice-Chairman: Patrick T. Asselin, Esq.
and Messrs.

Alkenbrack,
Armstrong,
Barnett,
Béchar, d,
Beer,
Berger,
Brown,
Cadieu (*Meadow Lake*),
Cardiff,
Choquette,
Crossman,
Cyr,
Danforth,
Dionne,
Doucett,
Drouin,
Émard,
Éthier,
Forest,
Forgie,
Gauthier,

Gendron,
Groos,
Gundlock,
Horner (*Acadia*),
Horner (*The Battle-*
fords),
Howe (*Wellington-*
Huron),
Jorgenson,
Kelly,
Konantz (Mrs.),
Lamb,
Langlois,
Laverdière,
Lessard (*Lac-Saint-*
Jean),
Madill,
Mather,
Matte,
McBain,
McCutcheon,

Moore (*Wetaskiwin*),
Mullally,
Nasserdén,
Noble,
O'Keefe,
Olson,
Peters,
Pigeon,
Rapp,
Ricard,
Rochon,
Roxburgh,
Southam,
Tardif,
Temple,
Vincent,
Watson (*Assiniboia*),
Watson (*Châteauguay-*
Huntingdon-Laprairie),
Whelan—60.

(Quorum 20)

D. E. Levesque,
Clerk of the Committee.

Mr. McCutcheon replaced Mr. Forbes on July 8, 1964.

ORDER OF REFERENCE

WEDNESDAY, July 8, 1964.

Ordered,—That the name of Mr. McCutcheon be substituted for that of Mr. Forbes on the Standing Committee on Agriculture and Colonization.

Attest.

LEON-J. RAYMOND,
The Clerk of the House.

MINUTES OF PROCEEDINGS

THURSDAY, July 9, 1964.

(6)

The Standing Committee on Agriculture and Colonization met this day at 10:00 o'clock a.m. The Chairman, Mr. Russell C. Honey, presided.

Members present: Mrs. Konantz and Messrs. Alkenbrack, Asselin (*Richmond-Wolfe*), Cadieu, Cardiff, Danforth, Dionne, Doucett, Gauthier, Honey, Horner (*The Battlefords*), Howe (*Wellington-Huron*), Madill, McBain, McCutcheon, Moore, Mullally, Nasserden, Noble, Olson, Peters, Pigeon, Rapp, Vincent, Watson (*Assiniboia*), Whelan (26).

Witnesses: From the Tobacco Cooperative Society of the District of Joliette: Mr. Médard LaSalle, President, and Mr. Liguori Bois, Secretary-Manager. From the Agricultural Cooperative Society of the Yamaska Valley: Mr. Alfred Ducharme, President, and Mr. Sarto Gingras, Manager. From the "Coopérative Fédérée de Québec": Mr. Georges Turcotte, Manager. From The Producers of Yellow Tobacco of the Province of Quebec: Mr. Henri Gagnon, Secretary, and Mr. Jean-Paul Corriveau, Agronomist.

After discussion, on motion of Mr. Danforth, seconded by Mr. Peters,

Resolved,—That the Committee print 850 copies in English of its Minutes of Proceedings and Evidence, until further notice.

The Chairman asked the Clerk to read the Report of the Steering Committee. The Clerk reading:

FOURTH REPORT OF STEERING COMMITTEE

FRIDAY, July 3, 1964.

The Steering Committee of the Standing Committee on Agriculture and Colonization met this day at 10:15 o'clock a.m., the Chairman, Mr. Russell C. Honey, presiding.

Members present: Messrs. Honey, Danforth, Asselin (*Richmond-Wolfe*) and Mullally (4).

The Chairman reported changes in witnesses invited to appear before the Committee on July 9th as follows:

Mr. Conrad Turcot, of the Provincial Department of Agriculture, Montreal, is presently hospitalized.

At the request of Mr. Pigeon, Mr. Richard Bordeleau, Agronomist, L'Assomption, P.Q., was invited to appear.

Mr. Liguori Bois, Manager of the Tobacco Cooperative Society, informed the Clerk that Mr. Georges Turcotte, Past-President and others would accompany him.

Your Steering Committee decided that Mr. A. J. Stanton, Chief of Plant Products, Department of Trade and Commerce, will be invited to appear before the Committee to give evidence in regard to tobacco export.

After discussion and considering the fact that unanimous consent of the House would not be given, and considering it desirable to avoid what could be a lengthy debate in the House on the matter, it was *agreed* that the Motion moved by Mr. Olson and seconded by Mr. Beer,

That this Committee seek permission from the House to reduce its quorum from 20 to 12 Members
be referred back to the Committee for reconsideration, and that the said Motion be rescinded.

At 10:35 o'clock a.m. the Steering Committee adjourned.

After discussion, Mr. Olson *agreed* to withdraw his motion,

"That this Committee seek permission from the House to reduce its quorum from 20 to 12 Members".

Objections were raised and the Chairman put the question:

Is it the pleasure of the Committee that the motion to reduce our quorum be rescinded?

Thereupon, Mr. Danforth moved, seconded by Mr. Cardiff,

That a recorded vote be taken.

The vote was as follows: YEAS: Messrs. Cadieu, Cardiff, Danforth, Dionne, Doucett, Gauthier, Horner (*The Battlefords*), Howe (*Wellington-Huron*), Madill, McBain, McCutcheon, Moore, Mullally, Nasserden, Noble, Peters, Pigeon, Rapp and Weston (*Assiniboia*) (19): NAYS: Mrs. Konantz and Messrs. Asselin (*Richmond-Wolfe*), Olson and Whelan (4).

The question on the said motion was resolved in the affirmative, and the Report of the Steering Committee was adopted.

The Chairman introduced the witnesses and Mr. Bois read his brief, followed by Mr. Corriveau.

The Committee proceeded to the questioning of the witnesses. Their examination being concluded, the Chairman thanked them for their interesting briefs.

It was *agreed* that both briefs be appended to this day's Evidence. (*See Appendices I and II*).

At 12:20 o'clock p.m., Mr. McCutcheon, seconded by Mr. Moore, moved the adjournment.

D. E. Levesque,
Clerk of the Committee.

Note—The evidence, adduced in French and translated into English, printed in this Issue, was recorded by an electronic recording apparatus, pursuant to a recommendation contained in the Seventh Report of the Special Committee on Procedure and Organization, presented and concurred in, on May 20, 1964.

EVIDENCE

THURSDAY, July 9, 1964.

(Text)

The CHAIRMAN: Mrs. Konantz, and Gentlemen, I think we have a quorum and we may proceed with this meeting of the committee. One thing I might say first is that we have authorized the printing of 750 copies of the proceedings of the committee in English, and 250 copies in French. These are the numbers being printed now. The distribution office, however, informs us that the demand for English copies has exceeded 750, and that they would like the committee to authorize the printing of another 100 copies. May I have a motion accordingly?

Mr. DANFORTH: I so move.

Mr. PETERS: I second the motion.

The CHAIRMAN: It has been moved by Mr. Danforth and seconded by Mr. Peters that the committee authorize the printing of an extra 100 copies of the proceedings of the committee in English. Is it agreed?

Motion agreed to.

I shall now ask the clerk to read the minutes and report of the steering committee.

(The clerk read the minutes of the steering committee.)

(See minutes of proceedings.)

The CHAIRMAN: Before I ask for the adoption of the minutes, is there any discussion? I have particular reference to the motion of Mr. Olson in the minutes of the steering committee. I think there was some concern. Your Chairman did not present this report to the house. Because of information I had that it would not receive unanimous consent, I felt I would like to refer it to the steering committee and subsequently back to this committee rather than to precipitate a debate in the house before we had reconsidered it. Keeping that in mind, I have brought the motion back before this committee. Is there any comment on the motion before I ask for concurrence?

Mr. OLSON: Well, Mr. Chairman, my purpose in moving the motion at the last meeting was the fact that we had to wait 45 minutes to get a quorum. Today we have had to wait almost 30 minutes again for this purpose. However, I have no objection to rescinding the motion, if it is the wish of the majority of the committee.

The CHAIRMAN: Is it agreed that the motion be rescinded?

Mr. WHELAN: I am of the opinion that agriculture is a very important industry in Canada, and while I may have opposed this motion at the last meeting it was not because I thought more people should attend. You see, if we cut the quorum to 12 we might be able to get under way at least on time. I feel quite strongly about it after talking with several people representing farm organizations. Their opinion is that numbers do not mean anything. It is actually what is accomplished which means something, as far as they were concerned. I would agree to go along with this recommendation. But I am perfectly willing to debate the matter in the house, if it is presented to the house, because I have many arguments in favour of it which I feel are quite legitimate. I am thinking of the farm people of Canada many of whom I know as well as anyone here. I have worked with farm organizations, and I know that the viewpoint is recognized that large groups do not necessarily mean efficiency of production and everything else.

The CHAIRMAN: Is the motion agreed to by the committee?

Mr. DANFORTH: May I have an opportunity to speak to this. I did not anticipate that there would be an opportunity for an elaborate discussion of this matter this morning.

The CHAIRMAN: The motion is before the committee, and we should hear any members who wish to speak to it.

Mr. DANFORTH: I feel our position should be made clear. Never have we failed as a party to maintain at least one half of the quorum. If it is the opinion of the members of the government that they would like to debate this question in the house, we would certainly welcome an opportunity for them to do so. I think the records will show that we, as a party, have maintained our position. As a matter of fact, five minutes after the meeting was called this morning, our party did have one half of the full quorum present. I think that speaks for our interest in agriculture. One can say that small groups are efficient, but certainly it is not too much to expect 20 members out of a committee of 60 members to assemble to discuss the problems of agriculture and to hear the witnesses.

(Translation)

Mr. PIGEON: Mr. Chairman, I agree with what was said by the member who spoke before me, and I believe it is important that we maintain the quorum of the committee on Agriculture at 20 or 21 members, because certainly many problems arise in the field of agriculture, and I think that there is no excuse why we should not have a quorum on that committee. The public opinion, and particularly the agricultural organizations, would take a dim view on this matter, should we reduce the quorum; I do not share the opinion of the hon. member for Essex West on this point.

(Text)

The CHAIRMAN: Well, are there any further comments?

Mr. DOUCETT: I have not changed my views in the slightest since our last meeting. I voiced my opinions at that time and I thought that in view of the importance of agriculture to Canada, we should not consider reducing our quorum to 12 members. If this industry does not warrant the gathering of a minimum of 20 members, then it is not of the importance that I believe it to be.

I do not share the views whatever of Mr. Whelan because I think it is important that we should have a minimum of 20. I voiced this statement at our last meeting and I have not changed one particle of it. I think it is most important that we have fair representation and a good cross section of the different phases of the industry of our country, just as I said at the time. I am not so well versed with the tobacco industry, but I still have a very keen interest in it, because it has contributed greatly to our economy. I think it is most important that we keep a good and fair quorum, and I think the number should remain at 20 as a minimum in order for us to function efficiently. Moreover, if we bring witnesses here who are important, who have left their places of business at considerable inconvenience, and who have come great distances, then we should be present to hear the important briefs that they present. We have already heard some very important briefs. I think it should be of interest to the members who belong to this committee to attend the meetings.

Mr. PETERS: I might apologize to the other members of the steering committee because I was not at the steering committee meeting. But I am in complete agreement with the decision that they took. I believe that the fact that we do not get a quorum is related to the subject we are discussing. But this is an important field; it is important enough to warrant our maintaining our

quorum; and if we cannot get a quorum, probably it is because we are discussing the wrong subjects. That is my opinion. I think the members should make every effort to be here, and that the names of those who do not come should be made well known. If the members of this committee do not wish to attend, then they should be replaced. That is my opinion. The fact it is a regional problem that we are discussing might perhaps warrant changing some of the members in order to accommodate those who represent the areas affected by these problems. Maybe the parties might give some consideration to the matter. But I am in agreement that we should not reduce our quorum at the present time, because the subjects which are to follow will be of great interest to most of our members, and I do not think there will be any difficulty at that time in getting a quorum.

Mr. WHELAN: One of the reasons I suggested a smaller quorum is that I think our agricultural industry is probably one of the most efficient industries in Canada and perhaps one of the most efficient in the world. When the number of 60 was decided upon, a large percentage of the people in Canada were associated with the agricultural industry. But today we are a minority group. We are one of the most efficient groups and producers in the world, yet we still have the same number of representatives on the committee.

If our farm producers in Canada can become so efficient in spite of their small numbers, certainly we in this committee should recognize the fact, and govern ourselves accordingly. This group is quite vocal here, and I feel that our farmers are not going to be impressed by words alone.

Mr. NASSERDEN: I do not think we should take it that this committee is too large. The reason I say that is that I know of members who are not on this committee at the present time but who would like to be on this committee for one reason or another. It may be that some of the parties have difficulty in finding people interested in this particular phase of the industry. I know in our own party we have had no trouble in filling our quota. However, I know of half a dozen members at least who would like to be on this committee, but who are not, because of the limitations placed on our membership. I do not think that 20 is too great a number for a quorum in agriculture. It may be that many of the problems brought up are regional, but I think most of us want to get some knowledge of those problems, otherwise we cannot give the consideration to them that we should.

The other factor is that with five parties in the house today, if you reduce the quorum number below 20, it means that you will have only one or two from each party, and that would create an undesirable situation.

Mr. PIGEON: Let us have the question.

The CHAIRMAN: Is it agreed that the report of the steering committee be adopted?

Motion agreed to.

Mr. OLSON: On division.

Mr. DANFORTH: On a point of privilege, Mr. Chairman, I feel I must speak since this committee records the adoption of the steering committee report on division. I think the report of this meeting should show that the negative was not cast by any of the members of the official opposition.

The CHAIRMAN: Are you asking for a record vote?

Mr. DANFORTH: Yes.

The CHAIRMAN: That may be the best way to clear it up.

Mr. DANFORTH: I move that the vote be recorded.

Mr. CARDIFF: I second the motion.

The CHAIRMAN: It has been moved by Mr. Danforth and seconded by Mr. Cardiff that the vote be recorded. I shall ask the clerk to record the vote.

The question is on the adoption of the fourth report of the steering committee which contains this recommendation:

After discussion and considering the fact that unanimous consent of the house would not be given, and considering it desirable to avoid what could be a lengthy debate in the house on the matter, it was agreed that the motion moved by Mr. Olson and seconded by Mr. Beer, "That this committee seek permission from the house to reduce its quorum from 20 to 12 members" be referred back to the committee for reconsideration, and that the said motion be rescinded.

If you are in agreement with this recommendation, would you vote yea, and if not, nay.

YEAS

Cadieu	Howe (Wellington-	Noble
Cardiff	Huron)	Peters
Danforth	Madill	Pigeon
Dionne	McBain	Rapp
Doucett	McCutcheon	Watson—19
Gauthier	Moore	
Horner (The	Mullally	
Battlefords)	Nasserden	

NAYS

Asselin (Richmond-	Konantz (Mrs.)	Whelan—4
Wolfe)	Olson	

The CHAIRMAN: Have all the members been polled? If so, may we have the results. The yeas number 19, and the nays number 4. I declare the adoption of the report of the steering committee to be carried.

Now, Mrs. Konantz and gentlemen, we have with us this morning two briefs to be presented to us. They are both relatively short.

It is my pleasure to introduce to you this morning representatives of the tobacco industry from the province of Quebec. I shall start on my immediate right by introducing to you Mr. Liguori Bois, manager of the Tobacco Co-operative Society of St. Jacques, Quebec; Mr. George Turcotte, past president of the Tobacco Cooperative Society, St. Jacques, Quebec; Mr. Jean Paul Corriveau, agronomist, representing the producers of yellow tobacco of the province of Quebec, of St. Thomas, Quebec; and Mr. Henri Gagnon, secretary of the producers of yellow tobacco of the province of Quebec, of St. Thomas, Quebec.

Also from St. Thomas we have with us Mr. Medard LaSalle, president of the Tobacco Co-operative Society of the district of Joliette, Quebec; Mr. Alfred Ducharme, president of the Tobacco Co-operative Society of the district of Yamaska; and from the same district Mr. Sarto Gingras, who is from the same society.

Gentlemen, we are very pleased to have you with us.

If it is the pleasure of the committee I shall now call upon Mr. Bois to read his brief. Then Mr. Corriveau will present his brief, and then we shall proceed to the questioning of the witnesses. Mr. Bois.

Mr. LIGUORI BOIS (*Manager of the Tobacco Co-operative Society, St. Jacques, Quebec*): Mr. Chairman, madame and gentlemen:

BRIEF
PRESENTED BY

LA SOCIÉTÉ COOPÉRATIVE AGRICOLE DE TABAC

du District de Joliette

St-Jacques (Montcalm) P. Qué.

LA SOCIÉTÉ COOPÉRATIVE AGRICOLE DE LA VALLÉE D'YAMASKA

St-Césaire (Rouville) P. Qué.

THE QUEBEC PIPE AND CIGAR TOBACCO PRODUCERS BOARD

St-Jacques (Montcalm) P. Qué.

TO

THE STANDING COMMITTEE ON AGRICULTURE AND COLONIZATION
OF THE HOUSE OF COMMONS

July 9th, 1964. Ottawa, Canada.

Introduction

La Société Coopérative Agricole de Tabac du District de Joliette, incorporated in 1929, and La Société Coopérative Agricole de la Vallée d'Yamaska, incorporated in 1911, group together the vast majority of the cigar tobacco producers of the Province of Quebec. Since 1957, all of the growers are bound by the Quebec Pipe and Cigar Tobacco Growers' Board.

These organizations, entirely operated by the producers, work towards the following goals: orientate production according to the needs of the market; improve production—in co-operation with government or private research and publicity organizations; plan the marketing of the crops in order to assure the producers to obtain a fair share of the industry's income.

The production of cigar tobacco constitutes an important cash crop in connection with our system of mixed farming based on the dairy industry. While the cigar tobacco industry profits by a sustained growth, the Quebec cigar tobacco market is declining. The producers, through their associations, wish to submit their point of view on this situation and stress the urgent need for more extensive and intensive research.

Importance of the Cigar Tobacco Growing in Quebec

The Canadian production of cigar tobacco—grown for that purpose—is exclusive to the Province of Quebec. Over 80% of the producers are established in the Montcalm-L'Assomption-Joliette counties; the others are found in the St-Césaire de Rouville district.

Cigar tobacco growing brings a valuable gross return to nearly 1400 producers, amounting approximately to \$1,000 per grower. In the last five years, annual production averages 5,500,000 pounds, totalling a market value close to \$1,400,000.

Apart from this production, it is worth mentioning the culture of about 800,000 pounds a year of pipe tobacco, bought by the consumer in raw leaf form and called "tabac canadien".

Further to those returns to the growers, the industry pays out, about \$500,000 in wages to local labour for the packing and processing of tobacco, a proportion of which is earned by agricultural laborers who work during the

winter at the grading and packing of the crops. The two co-operative Societies of St-Jacques and of St-Césaire own plants where nearly 85% of the crops are handled.

Therefore, the prosperity of these agricultural districts depends on the production level of cigar tobacco and on the cigar industry itself.

The cigar industry is equally important to the Province. Over 95% of cigars manufactured in Canada are produced in Quebec and it is estimated that manufacturers pay close to \$5,000,000 yearly in salaries. Moreover, the Provincial Treasury collects over \$650,000 in taxes from the sale of cigars.

Apart from profiting by these advantages which contribute to the country's prosperity, the Federal Government draws an annual revenue estimated at \$6,000,000 from the cigar industry, approximately divided as follows: excise duties: \$1,000,000; excise taxes: \$3,000,000; sales taxes: \$2,000,000; one should also add to these amounts the revenue drawn from custom duties on imported tobaccos, the size of which is unknown to us.

The Cigar Tobacco Market

The Quebec cigar tobacco crop is sold to Canadian manufacturers. It is a natural and relatively remunerative outlet. Unfortunately, our producers do not profit by the forward strides enjoyed by the cigar industry.

When Canadian manufacturers used 6,530,000 pounds of cigar tobacco in 1955, the volume of tobacco taken for use in 1963 has increased to 8,770,000 pounds (an increase of nearly 35%) and the number of cigars manufactured has gone from 252 million in 1955 to 386 million in 1963 (an increase of over 50%).

The Quebec cigar tobacco market, after the prosperous years of 1959, 1960 and 1961, has fallen back to the 1955 level, as the Canadian manufacturers have purchased about 4.5 million pounds from the 1962 crop and 4 million, from that of 1963. Consequently, the co-operative Society of St-Jacques carries, for the last couple of years, a surplus of more than a million pounds.

What has taken place? First, an increase in the use of imported tobaccos. In 1955, imported tobaccos represented 23.8% of the tobacco used for making cigars; in 1963, imported tobaccos made up 28.7% of all the tobacco used for manufacturing cigars. In weight volume, this change means an increase of 70%.

We recognize the fact that Canadian manufacturers must import some types of tobacco which our climate prevents us from growing, such as: 1° cigar wrappers and 2° some tobaccos of particular flavour and aroma—such as the Havana tobacco—which are used either to make the filler of costly cigars or as mixtures for popular priced cigars.

What we consider as being an unfair competition to Canadian production of cigar tobacco, is the fact that increasing quantities of other cigar tobaccos are imported every year. The importing of those tobaccos—possibly milder tasting than ours and produced at a lower cost—is facilitated by customs tariffs which were considerably reduced from 1936 to 1956. A brief our associations presented to the Honourable Donald Fleming in 1960 underlined this fact. It would appear that this brief was shelved.

Another fact, which has contributed to restricting the Quebec cigar tobacco market outlet, pertains to technological developments perfected by the industry, such as the homogenized binder and the use of a relative quantity of stems. These developments have made it possible for the industry to use tobacco more thoroughly and to compensate for, to a certain extent, the factors responsible for the increasing costs of cigar manufacturing and the increased retail price of cigars.

Lastly, since a few years, an additional competition to our cigar tobaccos has arisen from the use of certain quantities of tobaccos produced in Canada—i.e. domestic—of different types, milder than our tobacco, as filler in a few brands of small cigars (cigarillos). Everyone knows the increasing popularity the cigarillos have enjoyed in recent months.

On the other hand, the production of pipe tobaccos, in Quebec, has known an even more alarming fate. From 3 million pounds in 1943, it has fallen to 350,000 pounds in 1963. We recognize the fact that smokers of raw leaf tobacco are becoming fewer every day. However, if the quality of those tobaccos, with appropriate research, had changed with consumers' preferences, manufacturers of cut pipe tobacco could probably purchase a few million pounds every year. It is usually said that: "These tobaccos are too strong!"

The same remark is occasionally made about our cigar tobacco. The manufacturers have, for long, sought a milder tobacco. While waiting for such a discovery, our producers are gradually losing their market.

Should they investigate export markets? Those markets are largely supplied by under-developed countries where production costs are moderate, due to low-wage labor and to the slender standard of living of their population. Consequently, the prices obtained on world markets for tobaccos of the same category as ours are lower than those we get from our Canadian clients. Moreover, numerous buyers from foreign countries find that our tobacco is "too strong". Why? It is up to the researchers to answer that and find a solution to it.

Research: What Has Been Done Until Now

We do not wish to insinuate that no research has been done, until now, pertaining to cigar tobacco production. Since twenty-five years, yields have increased due to a more rational and abundant fertilization and to the use of new techniques relative to insect and disease control. Those are fields where research has been fruitful and in which it should be continued.

Numerous tests on new varieties were made. However, in 1964, "Comstock" and "Havana 211" varieties are still being grown. The "Havana 211" was recommended about 1938, because it had proved more resistant to root rots than the "Comstock" variety; on the other hand, some claim that it produces a "stronger" tobacco. Certainly, many other undertakings were endeavoured, but we are in no position to list the results.

Before going any further, we wish to underline the contribution that an important cigar manufacturing brings to the research for a tobacco more suited to the requirements of the present market. This contribution is given within a joint experimental program to which contribute the Canada Department of Agriculture (National Research Branch and the Experimental Farm, at l'Assomption), la Coopérative de Tabac de St-Jacques and that company. The latter looks after the chemical analysis (nicotine, nornicotine, alcaloids, etc.) of various lots of tobacco and has the quality of the finished product evaluated, i.e. the cigars manufactured with the various lots consigned. This program comprises the testing of varieties and of various cultural practices. Soon, conclusions will be drawn from those experimentations. A new variety and new methods in respect with spacing out of plants and height of topping will possibly be recommended.

We have consulted with an expert in this field who, had it not been for his ill health, would be here to-day. It is Mr. Richard Bordeleau, agronomist, from l'Assomption. We quote him: "Research work on cigar tobaccos has been carried out at the Federal Farm, at Farnham, until it closed down in 1940, as well as at the Federal Farm, at l'Assomption, since its opening in 1928 until to-day. Having spent my thirty-five years of service at those two experimental farms, particularly as a tobacco specialist, and having been, for twenty-eight of those

years superintendent of one or the other organization, I have often complained of the lack of means put at our disposal: lack of funds and lack of personnel".

"In the field of genetics, we did not have the opportunity to develop new varieties; this was carried out at the Central Farm. Researches in pathology were conducted at the Federal Farms of St. Catharines and Harrow. Only in 1951 did we get the laboratory facilities that allowed us to make headway in the field of soil analysis, relatively to their capacity to produce quality tobaccos up to the standards of the times. However, because of a lack of laboratory technicians, work was forcibly limited; the attendant chemist had to do everything . . ." (end of quotation).

We believe that the Canada Department of Agriculture spends, at the present time, at the l'Assomption Experimental Farm, less than 1% of the taxes it collects from the cigar industry. Referring to page 27 of the publication of the Federal Department of Agriculture entitled "Lighter", February 1964 issue, in which appears the list of personnel engaged in tobacco investigations, one finds the following for the l'Assomption Experimental Farm:

T. Richard, M.Sc.	Superintendent
Vacant	Director, Tobacco Division
P. P. Lukosevicius, Ph.D.	Genetics
Vacant	Biochemistry
J. Allard, B.S.A.	Agronomy

While research assignments should be more numerous than they are, we find two vacancies, without mentioning the probable existence of vacancies among technicians. . .

Research: Recommendations

We must stress, at this point, that it is not the first time that la Société Coopérative Agricole de Tabac de St-Jacques expresses its point of view on this subject. On the 28th of November 1955, it sent to the Honourable J. G. Gardiner and others, a petition signed by Mr. Henri Mireault, President and Georges-E. Turcotte, Secretary.

After having consulted with Mr. Richard Bordeleau and Mr. Georges-E. Turcotte, and considering the facts listed in this brief, we formulate the following recommendations:

- (1) That the Canada Department of Agriculture and the Research Branch be asked to revise, if necessary, and round up the program of research to be carried out at the l'Assomption Experimental Farm;
- (2) That investigations on pipe and cigar tobaccos be carried out at the l'Assomption Experimental Farm; because of the influence the soil and the climate have on any agricultural production, we have no faith in field tests carried out 700 miles away from the districts where the cigar tobacco culture is commercially conducted;
- (3) That, as a minimum and apart from a Superintendent and a tobacco section Head, the following research assignments be agreed to: a specialist in genetics, a biochemist, a soil specialist, a pathologist, an agronomist and an engineer, and that these researchers be assisted by the proper number of technicians. We do not accept the claim that suited research personnel cannot be found; we suggest that a determined effort be made and that adequate funds be spent to find and train such people if necessary;
- (4) That research be undertaken and carried out on varieties, fertilization, cultural methods, curing and fermentation of tobaccos;

- (5) That one or several of these research people be given the opportunity to study, in other countries, the processes followed at various stages of the industry, without neglecting the processing of pipe tobacco and the fermentation of cigar tobacco. Are our experts cognizant of the processing undergone by the Dutch pipe tobaccos that are invading the Canadian market?
- (6) That everything (funds, personnel, equipment) be set up in order to enable our growers to meet the exact needs of the manufacturers, to recapture the Canadian market and to lower their costs of production.

Each of these recommendations could be explained in detail, but we do not believe this to be necessary to give rise to an efficacious action and it would probably unduly prolong this interview.

We wish to thank the Standing Committee on Agriculture and Colonization for having given us the opportunity to express our point of view and we give the Canada Department of Agriculture the assurance that, in the future, they shall receive from our organizations, the same cooperation as in the past.

Liguori Bois, Agronomist,
Secretary

La Société Coopérative Agricole de Tabac
de St-Jacques
and

L'Office des Producteurs de Tabac
à Cigare et à Pipe.

Thank you.

The CHAIRMAN: Thank you very much, Mr. Bois.

Gentlemen, if it meets with your pleasure we might ask Mr. Corriveau to read his brief now and upon the completion of the brief we will then have questions directed to the witnesses.

Mr. J. PAUL CORRIVEAU (*Agronomist, representing the producers of yellow tobacco of the province of Quebec*):

BRIEF JOINTLY PREPARED BY JEAN-PAUL CORRIVEAU

AND

J. H. DENIS GAGNON B. A.B.L.

OF

FLUE CURED TOBACCO PRODUCERS BOARD

AND PRESENTED TO

THE STANDING COMMITTEE ON AGRICULTURE AND COLONISATION
Ottawa, Canada

July 1964

Lanoraie, July 1964.

Mr. Chairman

And to all the Members

We are very pleased to be here to-day on this Council of Agriculture. May we first take the opportunity to express our most sincere and heart-felt thanks for the invitation received by the Flue-Cured Tobacco Producers Board.

The members of our Board need very much, the technical advice of the specialists working in your respective Ministries and we thank you very much for the researches made on Agriculture and most specially for those made on tobacco.

Mr. CORRIVEAU: May we say right now that we believe the Canadian Department of Agriculture can do as much for the Canadian farmers as any other agriculture ministry in the world can do for other citizens of other countries, even if this is in contradiction to some lately expressed opinions.

We hope that it will be possible to increase the researches on the experimental farms; in technics economics and science. We hope particularly that new flue-cured tobacco varieties will be made available to growers and Canadian manufacturers and that new experiments will be made on curing process. Because of the late lung cancer campaign as much from the Canadian as from the American side, has brought back the scare-crow of tobacco danger vs lungs and heart diseases, we are ready to make any change possible in the ways of growing, curing or otherwise processing the tobacco if you can tell us what could be done to lessen the danger if there is a danger.

We also remember that the Canadian oceanographic society has submitted to both federal and provincial governments in the pre-war period, an extensive study on the effect of the icebergs entering Hudson bay on the general weather of the provinces of Quebec, Ontario, and Manitoba and of the ways and techniques by which those icebergs could be kept out. This plan has received very little care or attention from the governments who had enough to do in managing our war effort and taking care of all the problems we had to face then.

Peace time has returned and we believe that a project pretending to raise the average temperature of three provinces from five to eight degrees Fahrenheit, should be given the front page again and the Department of Agriculture should determine whether it is possible to set back the freezing date which causes so much loss every year in the farm crops. In our humble opinion such research would benefit all agricultural production and particularly our line and the vegetable and fruit growers. Money spent that way would be more beneficial than the astronomical sums spent to prove to John Doe that it is unsafe and wrong to smoke.

Coming back to the Experimental Farms proposition we make a wish for their greatest development. We hope they will increase in number and acreage. More specially that their personal in biochemists, biologists, pathologists working there will be given more facilities and opportunities and that their number will increase instead of decrease as was the case in L'Assomption, three times in the last five year period.

Those scientists would probably be able to find the poisons necessary for pest control because many species have become immune to the last synthetic poisons used for the last ten years.

They would also be able to find varieties of tobacco resistant to fungus disease, weatherfleck, and black rot.

On another domain, but very important to the future of agriculture, we have a federal plan of insurance but nothing much has been done in Quebec on that aspect. We believe this fact has to be brought to the attention of the committee to see if it would be within your jurisdiction to promote that plan jointly with the provincial Department.

In conclusion we hope that the remarks we have made will not be thought of as day-dreamings of a futurist thinker but only as the opinion of a farmer who by his vocation has to live in contact with the soil and who has no other means and recourse than God in his prayers, the Government for his demands and his two arms for his work.

Thank you very much, Mr. Chairman and members of the committee.

The CHAIRMAN: Thank you very much, Mr. Corriveau.

Mr. DANFORTH: Mr. Chairman, may I suggest, in order to facilitate the work of the translators, that it would be quite in order for the gentlemen to speak entirely in French. There is some confusion when the languages are changed back and forth. If these gentlemen feel more conversant in French, I would think it would work to the benefit of the committee if they would speak solely in French.

The CHAIRMAN: I think the committee would be happy if you would prefer to speak only in French. Those of us who unfortunately are unable to follow it in French can do so on the translation.

When the first brief was presented a page was skipped over. With the leave of the committee may we revert and have Mr. Bois read this portion which has been omitted. After he has done so we will proceed to the questioning. The page that was omitted is page 5.

(Translation)

Mr. BOIS: I am sorry; while reverting to the other language, I turned the pages of part of my book, and that is how I omitted a page.

Mr. PIGEON: To save time, Mr. Chairman, I would point out that every member of this committee has a copy of this submission in both languages, and I do not believe it would be necessary to have that page read; it would be more profitable to have the members of the committee ask their questions.

(Text)

The CHAIRMAN: Is that agreeable to the committee?

Agreed.

Mr. DANFORTH: Will this portion of the brief be contained in the record?

The CHAIRMAN: We might have a motion from the committee that both briefs be appended as part of the record, particularly the portion that was not read into the proceedings.

Agreed.

We will proceed with the examination of the witnesses. Mr. Pigeon has indicated his desire to question the witnesses.

(Translation)

Mr. PIGEON: My first words will be to congratulate the representatives of the Tobacco Cooperative of Saint-Jean and the Quebec Society of yellow tobacco growers for their two excellent submissions to the committee. In the first place, I would like to direct my question to Mr. Bois or Mr. Turcotte. On page 7 of the French text, you state that the creation of new varieties, the experiments concerning cigar tobacco are made at the federal experimental stations at St. Catharines and Harrow, in Ontario. Would you prefer that such experiments be carried on at the experimental farm of l'Assomption where the climate, and probably the soil, are different? Is that what...

Mr. BOIS: Is that correct, Mr. Turcotte?

Mr. TURCOTTE: You want to know if cross-breeding experiments of different varieties are carried on elsewhere than at the experimental farm of l'Assomption in different soil conditions than those where this method is practised? Experiments relating to cross-breeding of cigar tobacco were originally carried on at the central experimental farm at Ottawa, under the authority of the former Tobacco Division. The person in charge of this work, a genetician, was recently transferred to the Delhi station in Ontario, where he performs experiments on the cross-breeding of varieties in greenhouses.

As long as those experiments are carried on in greenhouses under artificial conditions, I do not believe that it may matter much whether they are made at Delhi or at l'Assomption if the plant is removed from the greenhouse in order to subject or submit it to soil conditions, I believe that it is most important that those experiments be carried out at l'Assomption or near l'Assomption, in the district, under soil conditions where this cultivation is usually performed. That is stated in our submission, and I was once told that we do not trust experiments being carried out upon varieties some 700 miles from the location where the tobacco is grown on a commercial basis. This is explained in the chapter concerning the progress in tobacco varieties. I was assistant director in charge of tobacco experiments, at the experimental station of L'Assomption from 1932 to 1940. I remember that in the years 1935, 1936 and 1937 we conducted a series of variety tests, including all varieties which we could find in foreign countries, particularly in the United States. The results of those tests, which lasted three or four years, led us to the conclusion that one variety in particular was preferable to all those which had been grown so far. That was in 1936, some twenty-five years ago, and the name of that variety is Havana 211, imported from Wisconsin, in the United States. It was not created under our own conditions, and that is why that variety was the one that gave the best results. It was grown at that time because a local flavour was desired. It was given another name; in the St-Césaire district, it was called "Yamaska No. 7", and in the Assomption-Montcalm district, "Comstock l'Achigan". In 1964, the same variety is still extensively grown in the province of Quebec. Because no research was carried on, because no researchers could be found, no other variety could be discovered which would better please the taste of the consumers. This is not intended as a criticism, but merely to establish a comparison, in 1936, when I started to work at the Experimental farm, the Bonanza was the variety of cigarette tobacco grown in Ontario. Later, it was the White Manor, then the Yellow Manor, and finally the Delcrest. All this resulted from experiments, at Harrow or at Delhi. In Burley, it was the Arrow Velvet, then, I am not sure, but I think it was the Arrow Nova, the Arrow One. This proves that research was done, and twenty-five years later, to my knowledge, that is still the best variety. An intensified research programme should be established in order to produce the varieties which will satisfy the tastes of the consumer, who prefers a milder tobacco.

Mr. PIGEON: I wish to ask you a last question. At the last page of your submission, you say that the Dutch pipe tobacco at present is invading the Canadian market. Can you give us a general idea of the foreign pipe tobaccos which yearly compete with Canadian tobaccos, particularly those produced in the province of Quebec, since pipe tobacco is mainly grown in this province?

Mr. BOIS: I am sorry, Mr. Pigeon, but I cannot answer that question. Manufacturers who distribute that tobacco and who perform research in order to produce a variety of tobacco which would meet the tastes of the consumer to the same extent as the Dutch tobaccos, told me that they had to increase the system in order to distribute those tobaccos in such a way as to meet the demand. Those remarks were made in January and February 1964.

Mr. PIGEON: Have you the figures with you?

Mr. BOIS: No.

Mr. PIGEON: Figures respecting, during a two year period, the imports of Dutch tobaccos competing with our own Canadian tobacco?

Mr. BOIS: No. The figures we have show the volume of leaf tobacco imported, but as for . . .

Mr. TURCOTTE: I think Mr. Bois means manufactured tobacco imported in this country.

Mr. PIGEON: Ready to smoke?

Mr. TURCOTTE: That is right. These statistics are surely available.

Mr. PIGEON: That is all I wanted to know.

(Text)

Mr. McCUTCHEON: Mr. Chairman, I have a few questions I would like to ask. On page 3, following the introductory part, mention is made of 1,400 producers with receipts of approximately \$1,000 per grower. What is the average acreage?

(Translation)

Mr. BOIS: Two "arpents", two acres and one half, approximately.

(Text)

Mr. McCUTCHEON: What would be the average price per pound that this tobacco would bring in?

(Translation)

Mr. BOIS: From 25 to 30 cents.

(Text)

Mr. McCUTCHEON: Where do the cigar fillers to which you refer come from? If they come from the United States, from which part of the United States?

(Translation)

Mr. BOIS: The cigar fibre, as shown on page 5, which I omitted gives a rather general idea of the Canadian production. Secondly, Mr. Chairman, I think it might be advisable to read page 5 because the question asked by Mr. McCutcheon is precisely...

Mr. PIGEON: Please read the excerpt only.

(Text)

The CHAIRMAN: Possibly in replying to Mr. McCutcheon's questions you might like to refer to this page and read as much of it as you feel is important in answering the question.

(Translation)

Mr. BOIS: Then, I refer to page 5: "We admit that Canadian manufacturers must import certain categories of tobacco which we cannot produce in our climate. i.e.: the cigar wrappers and some tobaccos with a special taste and aroma such as Havanas, which are used either to form entirely the interior fibre of expensive cigars or to be used as mixtures in popular priced cigars."

In the next paragraph, we mention other fibres which are imported from such countries as Paraguay, the Dominican Republic, Colombia, the Philippines—although the Philippines are a possession of the United States—Brazil and other countries which produce tobaccos whose fibres have a different taste and aroma than the Havana.

In view of the taste and aroma of the Havana fibres, there is nothing we can do about it; that tobacco is quite popular, and we admit that the manufacturers must import it in order to meet the demands of the smokers. But we are referring to fibres which resemble ours and would be slightly milder. Ours could be as mild were we to effect appropriate research. Low tariffs on fibres facilitate the importation of those tobaccos; those tariffs were greatly lowered from 1936 to 1956, and on page 5, I point out that a submission was made in February 1960 by the associations to the Hon. Donald Fleming on this matter, and we know that it must have been shelved.

(Text)

Mr. McCUTCHEON: One thing further in connection with this: Have you given any consideration to, or is there any thought of, the cost of a research program to do what you suggest to lick the problem of too strong a tobacco, and that type of thing? Are there any figures available on what such research would cost?

(Translation)

Mr. BOIS: We have no compiled figures; this falls under the Research Division and the Department of Agriculture, but referring to the other suggestion that the total personnel of the experimental farm at l'Assomption be completed, I believe that the volume of research would be doubled. This would not decrease the annual credits at the disposal of the l'Assomption farm. On the other hand, as I already mentioned, some research work is already being done in cooperation with a manufacturer and with the l'Assomption experimental farm and the federal Department of Agriculture. The three participate in this research, together with the growers from Saint-Jacques who carry their experiments at the farm, and we are expecting some results from this.

But I do not believe that the government will perform at l'Assomption the necessary experiments, which would mean the spending of astronomical amounts, so to speak. I am convinced that fantastic sums would be involved. The budget should probably be doubled, but this is quite approximate, because it is up to the officials of the experimental farm and of the Research Division to establish the figures you are asking for, sir.

(Text)

Mr. McCUTCHEON: I have one further question: What about tobacco grown in Quebec? Is there any percentage of it that is exported? Can it find a market in any other country?

(Translation)

Mr. BOIS: There is a demand in European countries for cigar fibres. And as I pointed out a while ago, we are dealing with the world market which is supplied by the countries I already mentioned: Brazil, Paraguay, Colombia and other countries such as Arabia, Central America and Argentina, where the standard of living of the population and the cost of labour are infinitely lower than in Canada. The same applies to agricultural production. Unless export subsidies or some similar measure are granted, the market is closed in view of the prevailing prices.

Mr. TURCOTTE: I do not believe that we can ever develop important export markets in European countries until we can offer tobaccos which will better satisfy the tastes of the consumers.

Smokers find our tobaccos too strong, and until we establish a research programme aimed at producing a milder tobacco such as the consumers require, I do not believe that our tobaccos can compare on that level, as long as smokers prefer the taste of tobaccos from Colombia, the Dominican Republic and other South American countries. A large volume of cigar tobaccos imported in Europe is grown in Indonesia, Sumatra and Java. They are all known as being milder. In 1956, I made an exploratory trip with a view of finding export markets in various European countries, but to practically no avail due to the rough nature of our tobaccos. In my opinion, this situation can be attributed to a lack of research.

(Text)

Mr. McCUTCHEON: Has it not been a fact over the years that tobacco grown in certain areas always has the individual flavour which nature provides? I am

thinking of Iatakia tobacco, and all the rest of them. Do you not think it is pretty nearly an impossibility?

(Translation)

Mr. TURCOTTE: I think the course of nature can be oriented and some of those things corrected. Experiments concerning cultural methods were conducted recently at the experimental farm of l'Assomption, according to the joint programme mentioned by Mr. Bois. It seems that if certain methods of culture were adopted, the producers of Burley in Ontario would benefit with the New Burley Cultured. Nonetheless, we changed our tobacco; we no longer produce the Burley type as previously. A cigarette type is now accepted, and we would not have it were it not for the research which was performed along that line. I think that if we use slightly different methods of culture which will be determined by research, we will nonetheless grow a variety of tobacco which will better please the consumer.

Mr. TURCOTTE: The proof was produced in the case of the Downley varieties, and in my opinion it can be made with respect to cigar varieties if we conduct further studies on varieties.

(Text)

Mr. McCUTCHEON: Thank you.

Mr. CARDIFF: Has it anything to do with fertilizer? Has fertilizer nothing to do with the flavour of your tobacco?

(Translation)

Mr. TURCOTTE: Further research would probably show that it is possible to apply fertilizers with a smaller content of organic matter—less manure, for instance. But no thorough specific research was conducted in that line under our conditions.

(Text)

Mr. WHELAN: Mr. Chairman, one of the questions I had in mind has already been answered. What I would like to know is if there is any other place in the world that is growing quantities of tobacco where they would have the same climatic conditions that you have in Quebec?

Mr. TURCOTTE: Wisconsin.

Mr. WHELAN: Do they grow it in any great volume out there?

Mr. TURCOTTE: I would guess that they grow probably from 35,000,000 to 40,000,000 pounds of cigar leaf every year.

Mr. WHELAN: What about European countries?

Mr. TURCOTTE: You mean European countries where cigar leaf would be grown?

Mr. WHELAN: I mean if the same type of tobacco is being grown in Europe.

Mr. TURCOTTE: I do not think this is the same type of tobacco. Most of the European countries would import their cigar leaf tobacco, except for France, where they grow a cigar type which produces those badly smoking French cigars.

Mr. WHELAN: On page 4 you mention the amount of taxes, such as excise taxes, sales taxes and so on. Where did you get those figures?

(Translation)

Mr. TURCOTTE: Those figures are published however, we did not check them at the source, we were told of them by a customer. Those figures are approximate. They were contained in submissions made to the federal or provincial governments under similar circumstances as ours.

(Text)

Mr. DOUCETT: Are there any d.b.s. figures?

(Translation)

Mr. TURCOTTE: As I said, those figures were given to us by a customer. On the other hand, we asked for copies of statistical reports concerning production and unmanufactured tobacco stocks, and we would be interested in obtaining statistics relating to taxation, but those figures are taken from a submission which was presented at Ottawa or Quebec.

(Text)

Mr. WHELAN: At page 7 you comment on the lack of technicians at the experimental farm at Assumption. These positions are presently vacant at the experimental farm?

(Translation)

Mr. BOIS: Then, as Mr. Bordeleau pointed out, it was around 1950 that you were authorized to hire a chemist who, unfortunately, left the farm because he had no technician to help him and therefore, he had to perform the duties of a chemist, a research officer and also of a technician.

Mr. TURCOTTE: As far as the Experimental Station of l'Assomption, the Tobacco Branch of the Federal department of Agriculture and the Ackland Tobacco Company are concerned, it may be interesting to mention that in the Joint Research Program referred to in the statement, the bulk of the analytical work is done or has been done by the research laboratory of the last mentioned company. This, however, is not the proper procedure considering that the results of the tests might occasionally be used by everybody. In my opinion, the Federal Department of Agriculture should provide an adequate number of qualified research officers to its institutes to enable them to carry on this kind of research work to the benefit of Quebec farming, and Canadian farming of course.

(Text)

Mr. WHELAN: How long have these positions been vacant?

(Translation)

Mr. BOIS: The position of Biochemist is open since last year. Shortly before they hired the required technician, the position of director of the Tobacco Association also became vacant when the present superintendent, Mr. Richard, was appointed to this position at the time of Mr. Bordeleau's retirement. Formerly, he was director of this Branch.

(Text)

Mr. WHELAN: I think this is characteristic of a lot of our research stations at the present time. Whether there is a shortage of qualified people or not, I do not know. But there are some vacancies at other stations for properly trained people. May we turn to the other brief now, Mr. Chairman?

The CHAIRMAN: Yes, I think we should.

Mr. WHELAN: I notice in the other brief that there is something said about moving icebergs in Hudson bay in order to improve the weather, and that this has certain potentials. In my own area where they grow a lot of burley tobacco we have seen burley barns destroyed or torn down because the acreage of burley has been declining over the years. I wonder about the feasibility concerning the present consumption of tobacco and the present capacity for production that exists in Canada today, if we are really serious in suggesting that we should be working to control the icebergs in this area.

(Translation)

Mr. TURCOTTE: You are referring to the reduction of the "Burley" storage. Rather than carry on expensive researches to attempt to move back the North, we are trying to use the same barns in the areas where they are pulled down. Is that your question?

(Text)

Mr. WHELAN: No. I know that my own father-in-law had to give up his burley acreage. He does not even grow it any more; and in many instances there were burley tobacco barns which have been torn down or destroyed by natural weather conditions, yet there are a lot of facilities for tobacco growing which are not even being utilized today. But if the demand for this type of tobacco exists, they could be put into production again, because they have the climate and everything necessary.

(Translation)

Mr. TURCOTTE: We also have unused facilities in our district. For the last three years, our production has been approximately 4 to 4 and a half million pounds. However, eight to ten million pounds per year can be produced. At present, half of the driers are not in use on account of a decrease in consumption which has caused the producers to slow down. Our co-operative associations who, up to a point, control 85% of the production in Quebec produce tobacco under a voluntary quota system that has been in force without interruption since 1949. Therefore, the fact that half of our production capacity is not utilized at present in this area is not due to our inability to produce the required amount of tobacco. I will admit that we have a similar situation in the far North of Ontario owing to the restrictions on imports and to a smaller demand for these tobaccos that also creates a serious problem for the producers in those areas.

(Text)

Mr. WHELAN: But you do recognize the fact through your research station that our burley tobacco is practically equal in quality to all the burley tobaccos grown in the world today, but they are still in difficulty trying to market this kind of tobacco.

(Translation)

Mr. TURCOTTE: I think the answer must come from the consumer himself. The Canadian consumer does not like a blended cigarette but the American grower does. "Burley" tobacco is used in American cigarettes. To do this, we would have to change the consumer's taste also.

(Text)

Mr. JEAN PAUL CORRIVEAU (*Agronomist, representing the producers of yellow tobacco of the province of Quebec, St. Thomas, Quebec*): When we consider controlling icebergs in Hudson bay we do not have it in mind to melt them. It was just a matter of controlling the entrance of the icebergs into the bay. I do not care where they melt, so long as it is not at the north of the province. If we could raise the average temperature of the eastern provinces of Canada I am sure we would have atmospheric conditions which would favour a sweeter brand of tobacco. If you could just raise the temperature a little bit, probably you could produce the same kind of tobacco that they now produce in Indonesia, which is shipped back to Holland and the Netherlands to flood our markets.

Mr. WHELAN: When you talk about icebergs, I think there are probably a good many western members present who feel if they could control the icebergs, it would help them to ship their wheat.

Mr. CORRIVEAU: We were not speaking just for the tobacco industry. That is why I mentioned the fruit and vegetable growers as well, because the frost will kill anything grown on the farm, whether it be tobacco or not.

Mr. WHELAN: On page 3 you speak of a federal plan of insurance, and you say:

We believe this fact has to be brought to the council to see if it would be in your attributions to be the promoters of that plan jointly with the provincial ministry.

I think there is crop insurance available for the provinces if the provinces wish to enter into an agreement with the federal government. It is there for their liking, but if they do not wish to pick it up, they do not have to.

Mr. CORRIVEAU: We do not deny that it is there, but it is something which has not been taken advantage of.

Mr. WHELAN: What have the farm organizations done about it in the province of Quebec?

Mr. CORRIVEAU: We have tried as hard as we can, but we are not the federal government. There are probably some technical points which do not work. Why, I do not know. Might I suggest that you are in a better position to find out about it and to try to have it modified.

Mr. WHELAN: What attitude has your province taken in the matter?

Mr. CORRIVEAU: They said that they were carrying on lengthy discussions. I believe they always blame it on the federal government.

Mr. PIGEON: In 1961 I sent a letter to the minister of agriculture of Quebec, and in his reply he said that he had it in mind to have an agreement with the federal government in order to bring about crop insurance, and to begin with the tobacco growers, the vegetable growers and so on. I do not know why the province has withdrawn.

Mr. WHELAN: I believe there are certain amendments to the crop insurance legislation to be proposed by the federal government which may produce discussions between the provincial authorities and the federal government.

The CHAIRMAN: Thank you.

Mr. NASSERDEN: This matter of the icebergs, I feel, is very timely, and I am happy that you have brought it up, because I believe there are other organizations which have brought it up in the past, and that it is a live issue. It is of importance not only to tobacco growers. But, supplementary to the crop insurance matter, we never have heard during the last few years what obstacles there might be in the way of implementation of crop insurance in the province of Quebec. The federal legislation that is brought forward is dependant on the provinces going ahead. But if we do not hear what their objection is in some way, it is very hard to know what can be done.

Mr. CORRIVEAU: May I say that you have done everything that is humanly possible to do.

Mr. NASSERDEN: We have provided the legislation under which each province can work, but it is their responsibility to tell us why they do not use it.

Mr. CORRIVEAU: Mr. Courcy will say exactly what you have told me within a day or two after I return home.

Mr. WATSON (Assiniboia): I was going to ask a question with respect to the icebergs. I wondered if it was your hope to increase the temperature possibly in summertime in order to get a higher temperature which would extend the growing season.

Mr. CORRIVEAU: We have it in mind to extend the growing season and to raise the average temperature of the weather in order to do so, because we are

always short—in Quebec or Ontario—by two or three weeks. And when the tobacco freezes in the fall the thermometer will go down to 30 degrees. But if you could raise it by a matter of two or three degrees above the freezing point, I think it would be something beneficial and one of the greatest improvements in agriculture in the central provinces. Of course, it would not affect wheat as much as it would tobacco, peaches, and fruits. But we have seen years when the crops came in in the last days of August, by ill luck, and there were some hard years to support for the Ontario and Quebec growers.

Mr. WATSON (*Assiniboia*): Western Canada is predominantly dry and short of rain. I could see the advantage of lengthening the season, but in a good many cases I think our only salvation is to have cooler weather. You have said that you want a longer season, but also you could stand more heat in summertime.

Mr. CORRIVEAU: It would be a matter of two or three degrees. I do not think that two degrees would have very much influence even under the dry conditions that we are experiencing now and that we have experienced for the last two weeks in Quebec. I do not think it would matter to agriculture if you raised the temperature by two degrees because the climate was rather cold and dry.

Mr. WATSON (*Assiniboia*): You mean from three to five or from five to eight?

Mr. CORRIVEAU: I would suggest from five to eight degrees; but if it were possible to raise it from two to three degrees, I think it would be our salvation.

Mr. McCUTCHEON: What studies have been involved, and one what do you base your suggestion that is feasible or even practical?

Mr. CORRIVEAU: We were basing it on the scientific reports which have been made available. The question was brought up at the provincial conference in 1959, but we could not take care of the supplementary studies which would be required for it. I think figures are available in the federal government in connection with the report of the oceanographic society which made a survey in Hudson bay, and in connection with game and wildlife. The minister of agriculture was not the only minister interested in improving the temperature of the water.

Mr. DOUCETT: On the question of research that has been done in the matter, I wonder if there have been any figures brought out which would show the practicality or economics of doing it? What would the cost be?

Mr. CORRIVEAU: I have no idea what the cost would be. You see, I am not an agronomist, I am just a farmer. I am not an engineer either. But there are figures in the report, which I do not have with me at the moment. However, I know there are three or four different figures mentioned, and all of them would be below \$20 million.

Mr. DOUCETT: How would that \$20 million figure be related to the last paragraph of your brief?

Mr. CORRIVEAU: At the last of my brief, I do not think you can figure it out in dollars. But if the government could take care of some of the figures, I think we could take care of the others.

The CHAIRMAN: I have Mr. Peters, Mr. Danforth, and Mr. Moore. Mr. Bois has some information in answer to a question asked by Mr. Pigeon. Perhaps we might permit Mr. Bois to place that information on the record, and then I shall call on Mr. Peters.

(Translation)

Mr. BOIS: I am referring to Mr. Pigeon's question. When you asked me what was the amount of dutch manufactured tobacco I did not have the information but I found it afterwards. During 1963, we imported 1,211,590

pounds of manufactured tobacco amounting to \$1,319,857 on a total amount of \$1,554,000 for imported cut tobaccos. This means that 80% of the import of manufactured smoking tobaccos is dutch tobacco for a value of 60%. These were the figures for 1963 and I gather from a well informed source that the figures would be much higher in 1964.

Mr. PIGEON: Concerning this question, I would say that the Saint-Jacques Tobacco co-operative could be an example in Canada since you are taking a group of 85% of the Canadian tobacco planters and you assess to each of them a number of acres to which they have actually no right as they are working under a system of plantation apportioning. In other words, do you think that it would be in the interest of Canadian economy and of cigar tobacco planters if, during the forthcoming discussion on GATT's agreement rates in Geneva, the minister of Commerce would suggest or endeavour to find a way to increase these rates or else to prescribe a special tax on these foreign imported tobaccos which are detrimental to our Canadian cigar tobacco planters?

Mr. BOIS: Mr. Pigeon, we want to make a distinction. We do not think it would be useful to anyone to increase the import rates on Cuban or American cigar wrappers.

Mr. PIGEON: I see.

Mr. BOIS: We cannot produce them.

Mr. PIGEON: Yes, I see your point.

Mr. BOIS: We simply cannot produce.

Mr. PIGEON: But what about the tobacco you could produce?

Mr. BOIS: Well, on what could be produced, it would be normal to enforce these rates on cigars, at least at similar levels to those applied to "flue cured tobacco."

Mr. PIGEON: Very well then, Mr. Turcotte; what possible rates do you suggest to save the Canadian cigar tobacco industry, so to speak?

Mr. TURCOTTE: We have already submitted a statement on rates to the government authorities. We indicated, at the time, figures showing the rates on imports over a period of years. On stem tobacco, it was 60 cents per pound in 1936; 30 cents per pound in 1948; 22 and a half cents in 1951; and 20 cents in 1956; it has not changed since, but we believe that this present rate of 20 cents should be increased by 12 and a half cents in order to get a reasonable protection. Of course, these rates are not applied on tobacco for which we have no substitute, as for instance the wrappers for the cigar tobacco. This way, our Canadian producers would have a reasonable protection.

Mr. PIGEON: Thank you.

(Text)

Mr. PETERS: Mr. Chairman, we are mainly interested in research. In the fifth recommendation on page 8 of the brief you mention the fact that in countries like Holland they have arrived at different processes for producing cigar and particularly pipe tobacco. There is no question about it, the tobacco is much too strong for most people to smoke. Does the problem lie in the methods we use in the manufacturing process of the tobacco or in the type of tobacco we grow? If it is in the type of tobacco grown, over the years have you attempted to grow the type of tobacco they grow in countries like Somaliland in order to meet the tastes of the consumers.

(Translation)

Mr. BOIS: It is a fact, Mr. Peters, that our tobaccos are considered too strong. Now, it has happened in the past...

(Text)

Mr. PETERS: They are too strong.

(Translation)

Mr. BOIS: In the past, we have met now and again people from foreign countries who were talking about processing, about the dutch imported tobacco. And I think that the taste of the dutch tobaccos—we are again advertising—you know it well enough, we witness it since January 1964. Its secret lies rather in the processing than in the tobacco itself. Indeed, I know that Holland gets a considerable supply of tobaccos from countries such as Columbia, Argentina, Paraguay and these, it is well known, are of medium quality. Now, while processing these tobaccos, they have a secret formula and I believe that if our research experts succeeded in finding a similar method of processing, our cigar and pipe tobaccos would improve considerably.

(Text)

Mr. PETERS: Is it not true that other countries such as Argentina and Paraguay have a climate which is not dissimilar to ours; the seasons are reversed, but otherwise the climates are very similar. Have we not attempted to use the types of tobacco they use; is there not some mistake being made by the province of Quebec in producing this very strong raw leaf tobacco which does not meet the tastes of the consumers. You are saying it was not Miss Judy LaMarsh in her campaign for getting rid of cigarettes which has hurt your product but rather it is the fact that you are producing a type of tobacco which has no appeal to our market today. If the market for raw twist tobacco has gone; are we not experimenting in growing the raw leaf tobaccos which are being used in Holland.

(Translation)

Mr. TURCOTTE: I think that the question of variety in fermentation is the most important one. It is true that some varieties of foreign origin have already been tested at the Experimental Station of L'Assomption and, amongst them the tobacco from Paraguay and also the Cuban tobacco. But then, tobacco is so very sensitive to climate that we cannot produce in our climatic conditions the same kind of tobacco they grow in those countries. In other words, the same kind of tobacco grown in Quebec will not have the same strength or aroma it has there. I think it is a matter of experimenting in our soil and in our climate. Most of our cultivation methods have been imported from the United States as well as the manufacture processes which have been tested under our conditions. In our studies, I think we have not yet carried on enough detailed investigations on varieties, interbreeding and maybe also on fermentation processes.

(Text)

Mr. PETERS: When you buy a package of pipe tobacco at 55 cents for one-eighth of a pound it means that tobacco is a very high priced commodity. Surely, the manufacturers have done some research in meeting this, because the amount which is being imported is growing and your production is dropping. You say that you have tried this in a research sense or that you have grown other people's tobacco. If it is a matter of soil and climatic conditions, is there really anything that research can do in a major way? I would not be very anxious to support an extensive research program unless you can suggest that research will do a lot more than just improve the type of tobacco we now have. I am attempting to find out whether the Canadian producer can meet the demand for the type of tobacco which the Canadian consumer smokes.

(Translation)

Mr. BOIS: I believe that recent investigations carried on under a joint co-operative program by the government and the companies have indicated that, through such investigations, we could find more adequate methods to produce a milder tobacco. "Smoking panels" have also been issued to test cigars made from tobaccos grown according to methods or cultivation processes comparable to the traditional ones. The experimental Station of L'Assomption will soon issue an official statement with recommendations for changes in the traditional tobacco cultivation methods. But I believe that formerly these investigations were chiefly directed towards a fully productive tobacco output and this, probably without making sufficient allowance for improvements in taste and strength qualities.

(Text)

Mr. PETERS: May I ask how you get aromatic tobacco; is it a matter of the conditions of the soil?

Mr. TURCOTTE: And variety.

Mr. PETERS: Is part of it a result of the manufacturing process?

Mr. TURCOTTE: Part of it is, but varieties are known which will produce a tobacco which is aromatic like these so-called pipe tobaccos.

Mr. PETERS: Can we grow this?

Mr. TURCOTTE: Yes; you can grow it, but the yield is very small. These varieties have been used in cross-breeding in order to produce aromatic qualities without impairing the yield very much.

Mr. PETERS: In the province of Quebec do the co-operatives furnish the little plants for growing the tobacco?

Mr. TURCOTTE: They grow their own plants.

Mr. PETERS: Is it possible that part of the problem is the idea that they have in Quebec about Quebec tobacco; does the co-operative try to change the type of leaf tobacco which you see in Quebec and which is so strong? Has the co-operative itself given any leadership so that we can advertise that Quebec tobacco is a reasonable pipe tobacco?

(Translation)

Mr. BOIS: Owing to the lack of instrumental research, the co-operatives worked in co-operation with a manufacturer and with the Experimental Farm of l'Assomption in order to carry on investigations on cultivation methods and to test various foreign imported brands. Actually, as far as I know, they did not engage in any research work on pipe tobacco varieties since I have been there, but we are doing some investigations on cigar tobacco, as indicated in a joint experiment performed by a company, the government and the tobacco co-operative. They are about to draw conclusions on their findings that will enable them to produce, with the same varieties which have been in use for already 30 years, a slightly milder tobacco. But this means more work, it involves research and selection of varieties on the spot and, in the field of tobacco produced in Quebec as well as in other agricultural fields, I believe it is up to the government to do this research work. All over the world, agricultural research is done by the government since agriculture is not sufficiently economic to support its own research work.

An hon. MEMBER: But the producer's co-operatives themselves—

Mr. TURCOTTE: They are powerless if they cannot base their recommendations to the producers on verified research work. They simply cannot do anything if they are precisely unable to recommend to the producers new varieties

or new cultivation processes that have not been based on or proved by controlled experiments. That is why we are asking to intensify this research work, precisely to be able to counsel the producers accordingly.

(Text)

Mr. PETERS: It seems to me that if we recommend research all we are going to do is improve production and other facilities when probably the over-all production is not going to meet a market demand. In other words, you may have to do a public relations job in convincing your own people that they will have to grow a type of tobacco which is a saleable commodity.

Mr. TURCOTTE: We would have to know what are the right types and what are the right agricultural practices to apply.

Mr. DANFORTH: Mr. Chairman, I would like to reverse my order of questions in order to follow along the line of questions asked by Mr. Peters. Is it not a fact that, in respect of pipe tobacco being imported into Canada, in many instances a great deal of work is being done by the use of chemicals to affect both the flavour and the aroma of pipe tobacco?

Mr. TURCOTTE: By whom?

Mr. DANFORTH: By the use of chemicals in the tobacco to affect both the aroma and the taste of the tobacco which is being imported.

Mr. TURCOTTE: If I was a manufacturer I could answer the question better.

Mr. DANFORTH: I am sure, sir, that a man with your vast experience in respect of tobacco could tell by the smell and the feel of the tobacco itself that a great deal of chemical processing had been used in the manufacture of this tobacco.

Mr. TURCOTTE: That is imported tobacco?

Mr. DANFORTH: Yes.

Mr. TURCOTTE: I think you are right, but we do not know the formulae and the manufacturing process.

Mr. DANFORTH: I understand that, but from an examination of the tobacco do you not suspect that a lot of grades of tobacco are being imported into Canada in the manufacture of which a great many chemicals are being used in order to make it a tobacco that is suitable for the Canadian buyer? Perhaps the witness would better understand the question if I proceed to my next question. Is it not a fact that perhaps there should be more direct research done in respect of chemical applications which affect the quality of the tobacco as well as the work which is directed towards the actual genetic composition of the plant itself.

Mr. TURCOTTE: In other words, the processing would be as important an influence as the variety or the cultural practices. I think you are right, but to what extent in each case I could not say.

Mr. DANFORTH: May the committee assume that if research is along this particular line it would be possible that the type of tobacco grown in Quebec and in other areas would produce the type of product that would appeal to the Canadian consumers. If there was proper research along this line, perhaps this tobacco could be processed in such a way that it would find favour among the Canadian consumers.

Mr. TURCOTTE: I presume this is right, but I could not say so for sure.

Mr. DANFORTH: I appreciate the fact that you do not have access to the actual formulae being applied.

The CHAIRMAN: You are specifically referring to the addition of chemicals to obtain the aromatic flavour?

Mr. DANFORTH: Yes, as well as the smell and flavour of the particular pipe tobaccos. I suspect there is a great deal of chemistry used.

Mr. TURCOTTE: Yes.

Mr. DANFORTH: I was very much impressed by the answer the witness gave in respect of the use of greenhouses and the growing of your own plants under glass, and also the fact that it would not matter in Canada where this is done, but it is a fact that when the plant is taken outside, then the experimental work must be done very close to the place where the crop actually is being produced.

Mr. TURCOTTE: Yes.

Mr. DANFORTH: Is it not a fact that some tobacco manufacturers on their own behalf now are involved in experiments to see whether wrappers can be produced in Canada?

Mr. TURCOTTE: Yes. Not too long ago I read in a newspaper that a large manufacturer is going to conduct experiments in growing cheap tobacco in Ontario. This was done without too much success in Quebec in 1962. Mr. Bois was supervising that at that time. He may like to comment on this.

(Translation)

Mr. Bois: The first attempt to produce cigar wrappers in Quebec was made in the St. C  zaire area around 1940, and then in the area of Joliette from 1946 to 1950; it was abandoned because of the quality of the product and also because the world market, in particular the Connecticut production, is sufficient to meet the needs of manufacturers at a relatively low cost. But for a couple of years now, the manufacturers seem to be having difficulty in finding supplies of cigar wrappers, so they are trying to do something in Ontario.

This production is very costly and requires a large amount of capital. Now, with the research this company and the Tobacco Branch are carrying out, it will probably be possible to get satisfactory results. Even if they do not manage to produce, in Ontario or elsewhere in Canada, the fancy quality to be found in Connecticut, it will nevertheless be suitable or it will be an advantage for Canadian producers. It will be a good thing for Canadian producers and Canadian manufacturers as they will become more self-sufficient and less exposed to the fluctuations of the import market. So I think that financially it would be worth while because the experiment at St. C  zaire in 1940 indicated that it should be done again. They carried out the experiment again at Joliette. Results were not satisfactory at the end of five years, but nevertheless they were sufficiently satisfactory to warrant an attempt to do better elsewhere. So I am quite confident. But if the Chairman will allow me, to enlarge on Mr. Turcotte's reply to Mr. Danforth a little, in our brief we are asking for research not only at the production level but also at the level of processing and fermentation. We believe that, assuming the federal government could decide once and for all to give us the research we need to create new and milder varieties, it would partly solve the problem but research at the industrial level will still have to be carried out by the government because the ability of producers to sell their crops concerns the government. So research, processing and fermentation are quite as important, because when you read articles about tobacco, when you discuss the matter with people in the world market, in my opinion, in Canada, in Ontario, take the Burley farm in Ontario for example, or the cigar tobacco produced in Quebec, a better quality of tobacco is produced probably because it is used in lighter tobaccos than those we import. In other words research at the industrial level, that is, research on fermentation is as important as at the production level and we are asking for both. On page 8 of our brief we suggest in paragraph 5 that one or several researchers be given an opportunity to study the method used for manufacturing tobacco in other countries, that is, the preparation of tobacco.

(Text)

Mr. DANFORTH: My basic question, Mr. Chairman, is, if extensive research was done in the production of wrappers and in the production of the pipe tobacco, having in mind an improved flavour and aroma, which is very important, would this deal directly with the problems of the Quebec tobacco growers.

(Translation)

Mr. BOIS: As far as pipe tobaccos go, yes; now as for wrappers, the outer leaves of cigars, I think production is very costly and call for such a large amount of capital that it should be done by the companies themselves or, in some cases, by producers who have considerable funds available, who have lots of capital, because, in the case of Connecticut, for instance, a number of tobacco planters and producers operate on their own. But a large percentage of production, if I remember rightly, I went there around 1947-49, was in the hands of companies, of manufacturers who manage their own business and invest funds for the production of wrappers. It is a very costly business as you see but as all these tobaccos are sold on the world market at an average price of \$2.50 a pound, it is a satisfactory proposition at the level of production.

Mr. VINCENT: I have a supplementary question, Mr. Chairman. Have your association, part from approaching the Department of Agriculture, already approached, or intend to approach the new Department of Industry here in Ottawa with regard to research on the sale of tobacco because, as you know, the new Department of Industry intend to spend fairly large amounts on developing or increasing industry in Canada, and I consider tobacco could be part of the industries the federal government want to help. Have requests already been made, Mr. President, to the Department of Industry?

Mr. BOIS: No, not to my knowledge, we have not approached them yet but I shall make a note of the honourable member's suggestion and we shall do so. To date, Mr. Turcotte has told us that the Department of Agriculture were the ones to assist us.

Mr. VINCENT: But I think it would be a good thing if your association could get in touch with the Department of Industry to see whether or not their officers or the Department could help you in certain fields of endeavour.

Mr. BOIS: Thank you.

(Text)

Mr. DANFORTH: I have another question which I would like to direct to any of the gentlemen appearing as witnesses who might wish to answer. Mr. Chairman, I am sorry that I have not asked this same question of other witnesses who have been present, because it is a question of a general nature. In the opinion of the witnesses who are here this morning would there be real value in calling together all the interested parties, including the departmental officials who are directly concerned with the experimental work in the various fields of tobacco production, for the purpose of reassessing the entire industry and its needs, as well as the available facilities, so that everybody then will be fully informed and be able to chart a course which would be of the greatest benefit to the industry with the funds available. There would then be more knowledge available with regard to what extensions, in the opinion of the various segments of the tobacco industry, are necessary to promote this industry to the fullest. Can you see any value in a meeting of this type?

(Translation)

Mr. CORRIVEAU: Mr. Danforth wants to know whether we think it would be opportune, useful and necessary to get all the parties concerned in the industry

together in order to take stock of the situation from the standpoint of research and to determine what avenues should be explored, how to do it and what amount should be expended on this work. That is more or less what you are asking. As far as I am concerned I think I would answer yes, and as long as the committee was not content merely to study the matter, once it has reached conclusions and seeks to implement them, I fully agree that a submission of this kind, by working as a team, by working together, might produce results.

(Text)

Mr. DANFORTH: Thank you, sir. I do appreciate that answer to the question.

I have a further question in this regard which has to do with you personally, sir. For a great number of years you have been directly connected with tobacco, tobacco research, and the various facets of it. Is it not true that even a man in your position cannot possibly be aware of all the work that is being done in Canada in the various departments in connection with this one particular subject?

(Translation)

Mr. TURCOTTE: That is absolutely true.

(Text)

Mr. DANFORTH: If a meeting of the type I suggest were called perhaps it would make a greater contribution towards clarifying the picture of just what is and is not taking place.

(Translation)

Mr. TURCOTTE: And apart from that, it would enable all the parties concerned to explain their points of view. I suppose the manufactures would be one group to be consulted with regard to the quality of the tobaccos they offer the consumer. That might help some of the people in research who are not here at the present time and who might find some of these assertions rather daring. They would be able to express their opinions and we maintain that research on tobacco is insufficient in the province of Quebec and that in any case it should be carefully looked into as it was in the past.

Mr. CORRIVEAU: Mr. Chairman, if I may add something along the lines of what Mr. Turcotte has said, I am entirely of his opinion, for example, I can tell the honourable member that the production quota of Rhodesia has doubled in the last three years and this was accomplished after three meetings between the government, the manufacturers, the Rhodesian tobacco controls and the tobacco planters. They increased their production per acre; they improved their qualities and now they are taking over the world market at a rate that is not accessible to a Canadian producer.

Mr. TURCOTTE: Thank you, Mr. Chairman.

(Text)

Mr. DANFORTH: Thank you very much. I have one more short question and then I will pass. My question is with regard to the previous discussion concerning tariff. In the opinion of the witnesses is it not true that any resort to tariff would be an absolutely last resort so far as the industry is concerned because of the fact that there always is a possibility of a very serious retaliation by other countries?

(Translation)

Mr. TURCOTTE: I agree, an industry cannot be saved by tariffs. What we wanted to emphasize in the brief mentioned a while ago, is that tariffs have decreased considerably because we are living at a time when exchanges are being liberalized and people are always asking why. To import N.O.P. tobacco,

which includes cigarette tobacco which costs 20 cts. a pound to import when little or none is imported, but people are satisfied to pay 12½ cents only to import cigar tobacco and 25% of the tobacco used by the manufactures comes from abroad. I think there is something wrong there, that is particularly what I wanted to mention. But we share your opinion that an agricultural industry cannot be established on a sound basis if we rely too much on tariffs.

(Text)

Mr. DANFORTH: Thank you very much.

Mr. MOORE: I should like to ask one general question, Mr. Chairman. Since the purpose of presenting this brief is obviously to show the need for increased tobacco research I wonder whether the members of this committee could be given some idea of the relationship between the value of the tobacco crop and the amount of money being spent on research at the present time in order that we may compare this area of agriculture with other agricultural areas.

Mr. CORRIVEAU: Mr. Chairman, I can only answer your question in respect of the flue-cured tobacco industry and cannot speak for anyone else. We know, for example that if we have an average yield of 1,200 tons per acre of flue-cured tobacco the federal government will collect a direct tax in stamps of \$2,600 per acre. We feel that we do not have the necessary research to promote agriculture in Canada, particularly in specific areas such as tobacco. We feel that something should be done if Canada intends to maintain its standing on the universal level.

Mr. MOORE: I was not asking you to give us some justification for an increase in research and did not imply that there was too much money being spent on research in this area. I have never seen tobacco being grown but I am interested in the economics of this area of agriculture, and I wanted to get some idea of the percentage of money spent on research directed toward tobacco so that I could relate it to its comparative or prospective value.

(Translation)

Mr. BOIS: Concerning the production of cigar tobacco, to pursue Mr. Corriveau's reply, in the province of Quebec the cigar tobacco crop which I believe is close to \$1,400,000 at the present time whereas, at the Assomption farm they spend, at the most, \$50,000 a year on research in the field of cigar tobacco production; \$50,000 at the most for a crop worth \$1,400,000. But if, say, \$100,000 were spent on research on cigar tobacco in the area I think that within a few years the Canadian market would absorb about \$2,500,000 worth of tobacco produced in Quebec.

Mr. CORRIVEAU: Mr. Chairman, to complete the figures, the cigarette tobacco crop in the province of Quebec is worth approximately between \$3,000,000 and \$3,500,000. I am convinced that although there is an experimental farm for tobacco, and particularly for cigarette tobacco, they do not spend \$50,000 a year at l'Assomption.

(Text)

Mr. MOORE: Thank you.

The CHAIRMAN: I do not know whether you were in attendance at the hearing of this committee when Dr. Anderson appeared, but he gave evidence in respect of the amount spent on tobacco research as compared to that spent in respect of other agricultural products, but if you read his evidence I am sure it will be of help.

Mr. MOORE: I was in attendance at that time, but some other members may not have heard that testimony.

(Translation)

Mr. VINCENT: There are just one or two questions I would like to ask, Mr. Chairman. I would like to ask our witnesses of they could tell us whether the recent campaigns against tobacco, both in Canada and the States, have seriously affected sales of cigarette tobacco.

Mr. CORRIVEAU: Mr. Chairman, in answer to that question I am, of course, not able to provide you with accurate figures. We only have certain statements made by the manufacturers who maintain that for the three months following the conference on health, which I had the honour to attend, cigarette sales fell by 33% in Canada and the percentage is probably higher in the United States. Now, it is alleged that, on an average, consumption is still 14.5% below what it was last year. Of course, I am not speaking of Burley tobacco producers because blended cigarettes, as they are called, contain a certain percentage of Burley tobacco. But, as Mr. Turcotte said a few moments ago, I remember that when intensive research was being carried out on Burley tobacco at the Harrow Experimental Farm there was a variety called Harrow-Velvet and another one called Judy Spride, but I do not think it helped us very much even though there was reason to believe that the Judy Spride could have taken over the market. Actually, what we need without fail are other varieties, if there really is a hazard. If there really is a danger that it affects the health, the lungs, the heart or other organs, research must be carried out in that connection too, and it would be far too costly for a producers' association. It was along those lines that we mentioned the campaign against tobacco. I really think the Department of Agriculture could do something because, for example, we can tell you without putting in a plug for one of the manufacturers, that the committee on the tobacco industry of which we are members, and the cigar tobacco producers too, without doubt, have donated \$300,000 to the Cancer Society, and in December, when we asked them how much they still needed to get any conclusive results they simply replied that they had not spent that money. That was because they had not found the means to carry out the necessary research. I believe, gentlemen, that in a country such as Canada where technical methods are certainly as advanced as elsewhere and where the necessary technical means can be obtained, they could at least have spent the money we gave them for research.

Mr. VINCENT: Thank you. Now, I have another question concerning crop insurance. First of all, as you know, crop insurance has not yet been organized in the province of Quebec but we hope that through the friendly relations obtaining between the federal and provincial governments such a plan will be established in the near future, at least that is what we have been told.

Mr. CORRIVEAU: Mr. Chairman, with regard to cigarette tobacco I should tell you that this year all the private companies have decided to cancel insurance against hail damage and we had to appeal to the provincial department of Agriculture. Now, this situation probably does not exist in Ontario but everyone must have seen on television last week the dreadful damage done to the Ontario tobacco crop. Now, I hope those people are insured because otherwise they will be bankrupt. I am informed that there is a private insurance company in Ontario at the present time who insure tobacco producers against hail.

(Text)

Mr. MOORE: We do have that in the west.

(Translation)

Mr. CORRIVEAU: Is that company in Ontario?

Mr. VINCENT: Yes, according to my information.

Mr. CORRIVEAU: Now, there is insurance against hail but it is the only hazard provided for as far as I know. For example, there is no protection against wind which certainly caused at least a million dollars worth of damage to the tobacco and also to the vegetable crops in the two last weeks. But only hail is insured and even so, a crop that requires an investment of \$20,000 to \$25,000 is only insured up to a maximum of \$5,000.

Mr. VINCENT: Now—

Mr. CORRIVEAU: The cost too, Mr. Chairman, is prohibitive. I would like to point out that owing to the risk of hail that causes greater damage in some areas than others, the areas more likely to be affected are always those that the companies are most hesitant to cover.

Mr. VINCENT: Now, did your association of producers apply to the provincial government to declare the area damaged by wind a disaster area?

Mr. CORRIVEAU: Mr. Chairman, I would answer to that, that I was in direct touch with the Prime Minister, the Minister of Agriculture who is making an inquiry in that area to determine the amount of damage—

(Text)

Mr. MOORE: It is hail.

(Translation)

Mr. VINCENT: Because at the present time—

Mr. CORRIVEAU: So that they will not go into bankruptcy or have to spread over too thin.

Mr. VINCENT: Because at the present time even though there is no crop insurance in the province of Quebec, if a heavy storm affects part of an area, the provincial government can declare it a disaster area and call on the federal government for assistance. But this is under the exclusive jurisdiction of the provinces.

Mr. CORRIVEAU: Mr. Chairman, I must of course, point out to the committee that there is probably a possibility of the provincial government declaring the area a disaster area, but as tobacco and fruit are considered luxury items and not essential commodities, we can only have recourse to such means in an emergency. I do not think the provincial governments are much in favour of such measures. For example, it would certainly be better to have something definite, a basis on which to rely. In co-operation with the federal government the provincial governments could at least insure producers against bankruptcy, admitting weather conditions might be favourable.

Mr. VINCENT: Now, I have a question. On page 5 of the brief submitted by the *Société coopérative agricole du tabac* of Joliette, regarding returns in 1959, 60 and 61, they say that these were good years and that at the present time the Canadian market is dropping back to the 1955 situation and as a result the St-Jacques co-operative have accumulated a surplus of over one million pounds in the last year or so. Now, I realize that must be a costly matter. Is some assistance given the St-Jacques co-operative to—

Mr. BOIS: Mr. Chairman, the St-Jacques co-operative receives no assistance from any government for this million-pound surplus but, as you say, it is a considerable amount because we have paid the farmers for the tobacco. If the dividends are paid the co-operative bears the cost and cuts from the storage space and handling expenses.

Mr. VINCENT: So you have to pay interest on the money, handling and storage charges.

Mr. BOIS: Yes, plus insurance for the Association.

Mr. VINCENT: In the end, in brief, this reduces the producers' profit because it is divided among the producers who belong to the co-operative.

Mr. BOIS: Exactly, the rebate price is reduced. We regret this situation but luckily for the producers the co-operative is financially able to bear the surplus rather than to dump it and reduce prices. It is easier to lose ground you have won than to win back ground, as you know. So, in keeping this surplus the co-operatives are by no means setting up an artificial scarcity because the industry does not need this. On the other hand they are protected from the result of poor crops which might cause panic, an increase in prices—

Mr. VINCENT: But at the present time what are your prospects of selling this surplus, say in the next two years.

Mr. BOIS: We are reducing plantations by means of quotas; we have been setting quotas for crops since 1948; if you take the quotas allocated to producers since 1961, year by year up to 1963, the surplus should gradually be absorbed and we also hope that through appropriate research for a mild tobacco, Canadian manufacturers will again increase their purchases of Canadian tobacco and that will take care of the surplus.

Mr. VINCENT: In other words, at the present time you have a friendly agreement with your producers and tell them how to sow—

Mr. BOIS: That is one of the rules of the co-operative, and it is endorsed by the cigar and pipe tobacco producers' Board.

Mr. VINCENT: So you can control your market.

Mr. BOIS: By placing a quota on production.

Mr. VINCENT: You are very well organized.

Mr. BOIS: Thank you.

Mr. VINCENT: Thank you Mr. Chairman.

(Text)

The CHAIRMAN: Thank you, Mr. Vincent. Now, Mr. Watson.

Mr. WATSON (Assiniboia): Earlier I believe in answer to a question asked by Mr. McCutcheon about the average size of farms in tobacco acreage being $2\frac{1}{2}$ acres, and in reference to one of the questions which were asked, a witness said that possibly the tobacco industry might go bankrupt. What is the total acreage? I notice that you mention that there are 1,400 producers. What would the total acreage be for the average producer?

Mr. CORRIVEAU: I was speaking of the future. On the average farm with 50 acres of tobacco, $2\frac{1}{2}$ acres would be for burley and cigar leaf. I believe the flue-cured tobacco average on a farm is about 50 acres. This means that out of 100 acres one half is in rye with the remainder in tobacco.

Mr. WATSON (Assiniboia): The average farm is approximately 100 acres?

Mr. CORRIVEAU: That is right.

The CHAIRMAN: You refer to flue-cured tobacco?

Mr. WATSON (Assiniboia): That is right.

Mr. CORRIVEAU: That is the only crop we have. Where flue-cured tobacco is grown we do not grow anything else. But we would have practically \$100,000 invested, and we have to support the expense of fertilizing and everything else.

Mr. WATSON (Assiniboia): That answers my question. My point was whether this is the only crop produced or whether there would be other crops grown.

(Translation)

Mr. BOIS: To complete the question, and the answer given your question, the figure of two and a half acres applies to cigar tobacco production and that is a cash crop. So they are not the same group of producers as those of cigarette tobacco. Mr. Corriveau told you that cigarette tobacco producers specialize, they produce cigarette tobacco exclusively, but in the cigar tobacco area, which is a different area, the land and soil are different, cigar tobacco is a cash crop for the farmers. They have farms of approximately a hundred acres, they have the dairy industry, they grow vegetables and sugar beets but they have a cash crop which brings in \$1,500 a year.

(Text)

Mr. McCUTCHEON: I have a further supplementary question regarding flue-cured tobacco. How many frost free days do you have in your area?

Mr. CORRIVEAU: I would say about 90 days are frost free, that is, in a good year. But we have seen years when the frost free days were not more than 72 in number.

Mr. McCUTCHEON: My reason for asking is that in Quebec a great number of flue-cured growers are turning to substitute crops such as corn; and with 90 days being frost free, I wondered what suitable alternative crops would be available in your area in place of tobacco?

Mr. CORRIVEAU: Ninety days is not too long. However we can manage if we have 90 days nearly every year.

Mr. McCUTCHEON: As things stand at the present time you could not convert any of that area into growing corn or grain?

Mr. CORRIVEAU: Definitely not corn, because the soil is too sandy and poor to grow corn. Moreover, the price that corn brings on the market would not take care of the high cost of fertilization that we have to bear.

(Translation)

Mr. PIGEON: One last question, Mr. Chairman. It is getting late and everyone is in a hurry to have lunch. I would like to ask this, as you have had an unsold surplus of one million pounds of tobacco for the past two years. Have you advised the Department of Trade and Commerce?

Mr. BOIS: Mr. Chairman, we have not done so officially.

Mr. PIGEON: Do you intend to apply to the Minister of Trade and Commerce telling him, for example, that you have a million pounds of unsold cigar tobacco and that that would justify a tariff revision, in other words, to stop the mass import of foreign cigar tobacco. I think it is very important, very important indeed, that you advise the minister with your supporting evidence; I am convinced the government would study the matter very closely.

(Text)

The CHAIRMAN: Thank you. I have no one else on my list who wishes to ask questions. I think the committee has now concluded this morning's session. Before we have a motion to adjourn I know you would want me to thank on your behalf the gentlemen who appeared today. I think this has been one of the best hearings we have had with the tobacco industry. We appreciate your attendance very much. There has been a motion to adjourn.

APPENDIX I

BRIEF

PRESENTED BY

LA SOCIÉTÉ COOPÉRATIVE AGRICOLE DE TABAC

du District de Joliette

St-Jacques (Montcalm) P. Qué.

LA SOCIÉTÉ COOPÉRATIVE AGRICOLE DE LA VALLÉE D'YAMASKA

St-Césaire (Rouville) P. Qué.

THE QUEBEC PIPE AND CIGAR PRODUCERS' BOARD

St-Jacques (Montcalm) P. Qué.

TO

THE STANDING COMMITTEE ON AGRICULTURE AND COLONIZATION
OF THE HOUSE OF COMMONS

Ottawa, Canada, July 9th, 1964.

SUMMARY

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Introduction

La Société Coopérative Agricole de Tabac du District de Joliette, incorporated in 1929, and La Société Coopérative Agricole de la Vallée d'Yamaska, incorporated in 1911, group together the vast majority of the cigar tobacco producers of the Province of Quebec. Since 1957, all of the growers are bound by the Quebec Pipe and Cigar Tobacco Growers' Board.

These organizations, entirely operated by the producers, work towards the following goals: orientate production according to the needs of the market; improve production—in co-operation with government or private research and publicity organizations; plan the marketing of the crops in order to assure the producers to obtain a fair share of the industry's income.

The production of cigar tobacco constitutes an important cash crop in connection with our system of mixed farming based on the dairy industry. While the cigar tobacco industry profits by a sustained growth, the Quebec cigar tobacco market is declining. The producers, through their associations, wish to submit their point of view on this situation and stress the urgent need for more extensive and intensive research.

Importance of the Cigar Tobacco Growing in Quebec

The Canadian production of cigar tobacco—grown for that purpose—is exclusive to the Province of Quebec. Over 80% of the producers are established in the Montcalm-L'Assomption-Joliette counties; the others are found in the St-Césaire de Rouville district.

Cigar tobacco growing brings a valuable gross return to nearly 1,400 producers, amounting approximately to \$1,000. per grower. In the last five years, annual production averages 5,500,000 pounds, totalling a market value close to \$1,400,000.

Apart from this production, it is worth mentioning the culture of about 800,000 pounds a year of pipe tobacco, bought by the consumer in raw leaf form and called "tabac canadien".

Further to those returns to the growers, the industry pays out, about \$500,000 in wages to local labor for the packing and processing of tobacco, a proportion of which is earned by agricultural laborers who work during the winter at the grading and packing of the crops. The two co-operative Societies of St-Jacques and St-Césaire own plants where nearly 85% of the crops are handled.

Therefore, the prosperity of these agricultural districts depends on the production level of cigar tobacco and on the cigar industry itself.

The cigar industry is equally important to the Province. Over 95% of cigars manufactured in Canada are produced in Quebec and it is estimated that manufacturers pay close to \$5,000,000 yearly in salaries. Moreover, the Provincial Treasury collects over \$650,000 in taxes from the sale of cigars.

Apart from profiting by these advantages which contribute to the country's prosperity, the Federal Government draws an annual revenue estimated at \$6,000,000 from the cigar industry, approximately divided as follows: excise duties: \$1,000,000; excise taxes: \$3,000,000; sales taxes: \$2,000,000; one should also add to these amounts the revenue drawn from custom duties on imported tobaccos, the size of which is unknown to us.

The Cigar Tobacco Market

The Quebec cigar tobacco crop is sold to Canadian manufacturers. It is a natural and relatively remunerative outlet. Unfortunately, our producers do not profit by the forward strides enjoyed by the cigar industry.

When Canadian manufacturers used 6,530,000 pounds of cigar tobacco in 1955, the volume of tobacco taken for use in 1963 has increased to 8,770,000 pounds (an increase of nearly 35%) and the number of cigars manufactured has gone from 252 million in 1955 to 386 million in 1963 (an increase of over 50%).

The Quebec cigar tobacco market, after the prosperous years of 1959, 1960 and 1961, has fallen back to the 1955 level, as the Canadian manufacturers have purchased about 4.5 million pounds from the 1962 crop and 4 million, from that of 1963. Consequently, the co-operative Society of St-Jacques carries, for the last couple of years, a surplus of more than a million pounds.

What has taken place? First, an increase in the use of imported tobaccos. In 1955, imported tobaccos represented 23.8% of the tobacco used for making cigars; in 1963, imported tobaccos made up 28.7% of all the tobacco used for manufacturing cigars. In weight volume, this change means an increase of 70%.

We recognize the fact that Canadian manufacturers must import some types of tobacco which our climate prevents us from growing, such as: 1° cigar wrappers and 2° some tobaccos of particular flavour and aroma—such as

the Havana tobacco—which are used either to make the filler of costly cigars or as mixtures for popular priced cigars.

What we consider as being unfair competition to Canadian production of cigar tobacco, is the fact that increasing quantities of other cigar filler tobaccos are imported every year. The importing of those tobaccos—possibly milder tasting than ours and produced at a lower cost—is facilitated by customs tariffs which were considerably reduced from 1936 to 1956. A brief our associations presented to the Honourable Donald Fleming in 1960 underlined this fact. It would appear that this brief was shelved.

Another fact, which has contributed to restricting the Quebec cigar tobacco market outlet, pertains to technological developments perfected by the industry, such as the homogenized binder and the use of a relative quantity of stems. These developments have made it possible for the industry to use tobacco more thoroughly and to compensate for, to a certain extent, the factors responsible for the increasing costs of cigar manufacturing and the increased retail price of cigars.

Lastly, since a few years, an additional competition to our cigar tobaccos has arisen from the use of certain quantities of tobaccos produced in Canada—i.e. domestic—of different types, milder than our tobacco, as filler in a few brands of small cigars (cigarillos). Everyone knows the increasing popularity the cigarillos have enjoyed in recent months.

On the other hand, the production of pipe tobaccos, in Quebec, has known an even more alarming fate. From 3 million pounds in 1943, it has fallen to 350,000 pounds in 1963. We recognize the fact that smokers of raw leaf tobacco are becoming fewer every day. However, if the quality of those tobaccos, with appropriate research, has changed with consumer's preferences, manufacturers of cut pipe tobacco could probably purchase a few million pounds every year. It is usually said that: "these tobaccos are too strong!"

The same remark is occasionally made about our cigar tobacco. The manufacturers have, for long, sought a milder tobacco. While waiting for such a discovery, our producers are gradually losing their market.

Should they investigate export markets? Those markets are largely supplied by under-developed countries where production costs are moderate, due to low-wage labor and to the slender standard of living of their population. Consequently, the prices obtained on world markets for tobaccos of the same category as ours are lower than those we get from our Canadian clients. Moreover, numerous buyers from foreign countries find that our tobacco is "too strong". Why? It is up to the researchers to answer that and find a solution to it.

Research: What Has Been Done Until Now

We do not wish to insinuate that no research has been done, until now, pertaining to cigar tobacco production. Since twenty-five years, yields have increased due to a more rational and abundant fertilization and to the use of new techniques relative to insect and disease control. Those are fields where research has been fruitful and in which it should be continued.

Numerous tests on new varieties were made. However, in 1964, "Comstock" and "Havana 211" varieties are still being grown. The "Havana 211" was recommended about 1938, because it had proved more resistant to root rots than the "Comstock" variety; on the other hand, some claim that it produces a "stronger" tobacco. Certainly, many other undertakings were endeavoured, but we are in no position to list the results.

Before going any further, we wish to underline the contribution that an important cigar manufacturer brings to the research for a tobacco more suited to the requirements of the present market. This contribution is given within a joint experimental program to which contribute the Canada Department of

Agriculture (National Research Branch and the Experimental Farm, at L'Assomption), la Coopérative de Tabac de St-Jacques and that company. The latter looks after the chemical analysis (nicotine, nornicotine, alcaloids, etc.) of various lots of tobacco and has the quality of the finished product evaluated, i.e. the cigars manufactured with the various lots consigned. This program comprises the testing of varieties and of various cultural practices. Soon, conclusions will be drawn from those experimentations. A new variety and new methods in respect with spacing out of plants and height of topping will possibly be recommended.

We have consulted with an expert in this field who, had it not been for his ill health, would be here today. It is Mr. Richard Bordeleau, agronomist, from l'Assomption. We quote him: "Research work on cigar tobaccos has been carried out at the Federal Farm, at Farnham, until it closed down in 1940, as well as at the Federal Farm, at l'Assomption, since its opening in 1928 until today. Having spent my thirty-five years of service at those two experimental farms, particularly as a tobacco specialist, and having been, for twenty-eight of those years, superintendent of one or the other organization, I have often complained of the lack of means put at our disposal: lack of funds and lack of personnel".

"In the field of genetics, we did not have the opportunity to develop new varieties; this was carried out at the Central Farm. Researches in pathology were conducted at the Federal Farms of St. Catherine and Harrow. Only in 1951 did we get the laboratory facilities that allowed us to make headway in the field of soil analysis, relatively to their capacity to produce quality tobaccos up to the standards of the times. However, because of a lack of laboratory technicians, work was forcibly limited; the attendant chemist had to do everything..." (end of quotation).

We believe that the Canada Department of Agriculture spends, at the present time, at the L'Assomption Experimental Farm, less than 1% of the taxes it collects from the cigar industry. Referring to page 27 of the publication of the Federal Department of Agriculture entitled "Lighter", February 1964 issue, in which appears the list of personnel engaged in tobacco investigations, one finds the following, for the L'Assomption Experimental Farm:

T. Richard, M.Sc.	Superintendent
Vacant	Director, Tobacco Division
P. P. Lukosevicius, Ph.D.	Genetics
Vacant	Biochemistry
J. Allard, B.S.A.	Agronomy

While research assignments should be more numerous than they are, we find two vacancies, without mentioning the probable existence of vacancies among technicians...

Research: Recommendations

We must stress, at this point, that it is not the first time that la Société Coopérative Agricole de Tabac de St-Jacques expresses its point of view on this subject. On the 28th of November 1955, it sent to the Honourable J. G. Gardiner and others, a petition signed by Mr. Henri Mireault, President and Mr. Georges-E. Turcotte, Secretary.

After having consulted with Mr. Richard Bordeleau and Mr. Georges-E. Turcotte, and considering the facts listed in this brief, we formulate the following recommendations:

- (1) That the Canada Department of Agriculture and the Research Branch be asked to revise, if necessary, and round up the program of research to be carried out at the l'Assomption Experimental Farm;

- (2) That investigations on pipe and cigar tobaccos be carried out at the l'Assomption Experimental Farm; because of the influence the soil and the climate have on any agricultural production, we have no faith in field tests carried out 700 miles away from the districts where the cigar tobacco culture is commercially conducted;
- (3) That, as a minimum and apart from a Superintendent and a tobacco section Head, the following research assignments be agreed to: a specialist in genetics, a biochemist, a soil specialist, a pathologist, an agronomist and an engineer, and that these researchers be assisted by the proper number of technicians. We do not accept the claim that suited research personnel cannot be found; we suggest that a determined effort be made and that adequate funds be spent to find and train such people if necessary;
- (4) That research be undertaken and carried out on varieties, fertilization, cultural methods, curing and fermentation of tobaccos;
- (5) That one or several of these research people be given the opportunity to study, in other countries, the processes followed at various stages of the industry, without neglecting the processing of pipe tobacco and the fermentation of cigar tobacco. Are our experts cognizant of the processing undergone by the Dutch pipe tobaccos that are invading the Canadian market?
- (6) That everything (funds, personnel, equipment) be set up in order to enable our growers to meet the exact needs of the manufacturers, to recapture the Canadian market and to lower their costs of production.

Each of these recommendations could be explained in detail, but we do not believe this to be necessary to give rise to an efficacious action and it would probably unduly prolong this interview.

We wish to thank the Standing Committee on Agriculture and Colonization for having given us the opportunity to express our point of view and we give the Canada Department of Agriculture the assurance that, in the future, they shall receive from our organizations, the same cooperation as in the past.

Liguori Bois, Agronomist,

..... Secretary

La Société Coopérative Agricole de Tabac
de St-Jacques
and

L'Office des Producteurs de Tabac
à Cigare et à Pipe.

APPENDIX II

Brief Jointly Prepared by
 JEAN-PAUL CORRIVEAU and J. H. DENIS GAGNON B. A.B.L.
 of
 Flue Cured Tobacco Producers Board
 and presented to
The Standing Committee on Agriculture and Colonisation
 Ottawa Canada
 July, 1964

J.-Paul Corriveau, Pres.
 St. Thomas,
 Co. Joliette, Que.
 Tel.: 753-3142

J. H. Denis Gagnon, B.A.B.L. SEC.
 Lanoraie,
 Co. Berthier, Que.
 Tel.: 887-2577

Lanoraie, July, 1964

Mr. Chairman,

And to all the Members,

We are very pleased to be here to-day on this Council of Agriculture. May we first take the opportunity to express our most sincere and herat-felt thanks for the invitation received by the Flue-Cured Tobacco Producers Board.

The members of our Board need very much, the technical advice of the specialists working in your respective Ministries and we thank you very much for the researches made on Agriculture and most specially for those made on tobacco.

May we say right now that we believe the Ministry of Agriculture of Canada can do as much for the canadian farmers as any other Agriculture Ministry in the world can do for other citizens of other countries, even if this come in contradiction with some lately expressed opinions.

We hope that it will be possible to increase the researches on the experimental farms; in technics, economics and science. We hope particularly that new flue-cured tobacco varieties will be made available to growers and Canadian manufacturers and that new experiments will be made on curing process. Because of the late lung cancer campaign as much from the Canadian as from the American side, has brought back the scare-crow of tobacco danger vs lungs and heart diseases, we are ready to make any change possible in the ways of growing, curing or otherwise processing the tobacco if you can tell us what could be done to lessen the danger if there is a danger.

We also remember that the canadian oceanographic society has submitted to both federal and provincial governments in the pre-war period, an extensive study on the effect of the icebergs entering in the Hudson Bay on the general weather of the provinces of Quebec, Ontario, and Manitoba and of the ways and technics by which those icebergs could be kept out. This plan has received very little care or attention from the governments who had enough manage our war effort and take care of all the problems we had to face then.

Peace time had come back and we believe that a project pretending to raise the average temperature of three provinces from five to eight degrees Fahrenheit, should be given the front page again and the Ministry of Agriculture should make sure if it is possible to set back the freezing date causing so much losses every year in the farm crops. In our humble opinion such research would benefit to all agricultural production and particularly to our line and the vegetables and fruits growers. Money spent that way would be more beneficial than the astronomical sums spent to prove John Doe that it is unsafe and wrong to smoke.

Coming back to the Experimental Farms proposition we make a wish for their greatest development. We hope they will increase in number and acreage. More specially that their personal in biochimists, biologists, pathologists working there will be given more facilities and opportunities and that their number will increase instead of decrease as was the case in L'Assomption, three times in the last five years period.

Those scientists would probably be able to find the poisons necessary for pest control because many species have become immune to the last synthetic poisons used for the last ten years.

They would also be able to find varieties of tobacco resistant to fungus disease, weatherfleck, and black rot.

On another domain but very important to the future of agriculture we have a federal plan of insurance but nothing much has been done in Quebec on that aspect. We believe this fact has to be brought to the Council to see if it would be in your attributions to be the promoters of that plan jointly with the provincial Ministry.

In conclusion we hope that the remarks we have made will not be thought of as the day dreamings of a futurist thinker but only as the opinion of a farmer who by his vocation has to live in contact with the soil and who has no other means and recourse than God in his prayers, the Government for his demands and his two arms for his work.

HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964

STANDING COMMITTEE

ON

Agriculture and Colonization

Chairman: RUSSELL C. HONEY, *Esq.*

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 6

Respecting

PRODUCTION AND PROCESSING OF TOBACCO

THURSDAY, JULY 16, 1964

TUESDAY, JULY 21, 1964

WITNESS:

From the Department of Trade and Commerce: Mr. Austin J. Stanton,
Assistant Director (Agriculture), Agriculture and Fisheries Branch.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1964

STANDING COMMITTEE
ON
AGRICULTURE AND COLONIZATION

(Chairman:.) RUSSELL C. HONEY, Esq.

(Vice-Chairman:.) PATRICK T. ASSELIN, Esq.

and Messrs.

Alkenbrack,
Armstrong,
Barnett,
Béchar, d,
Beer,
Berger,
Brown,
Cardiff,
Choquette,
Clancy,
Crossman,
Cyr,
Danforth,
Dionne,
Doucett,
Drouin,
Émard,
Éthier,
Forest,
Forgie,
Gauthier,

Gendron,
Groos,
Gundlock,
Horner (*Acadia*),
Horner (*The Battle-*
fords),
Howe (*Wellington-*
Huron),
Jorgenson,
Kelly,
Konantz (*Mrs.*),
Korchinski,
Lamb,
Langlois,
Laverdière,
Lessard (*Lac-Saint-*
Jean),
Madill,
Mather,
Matte,
McBain,

McCutcheon,
Moore (*Wetaskiwin*),
Mullally,
Noble,
O'Keefe,
Olson,
Peters,
Pigeon,
Rapp,
Ricard,
Rochon,
Roxburgh,
Southam,
Tardif,
Temple,
Vincent,
Watson (*Assiniboia*),
Watson (*Châteauguay-*
Huntingdon-Laprairie),
Whelan—60

D. E. Levesque,
Clerk of the Committee.

(Quorum 20)

Messrs. Cadieu (*Meadow-Lake*) and Nasserden were replaced by Messrs. Clancy and Korchinski on July 15, 1964.

ORDER OF REFERENCE

HOUSE OF COMMONS

WEDNESDAY, July 15, 1964.

Ordered,—That the names of Messrs. Clancy and Korchinski be substituted for those of Messrs. Nasserden and Cadieu (*Meadow Lake*) on the Standing Committee on Agriculture and Colonization.

Attest.

LÉON-J. RAYMOND,
Clerk of the House.

MINUTES OF PROCEEDINGS

THURSDAY, July 16, 1964.

(7)

The Standing Committee on Agriculture and Colonization met this day at 9.50 o'clock a.m. The Chairman, Mr. Russell C. Honey, presided.

Members present: Messrs. Asselin (*Richmond-Wolfe*), Béchard, Beer, Berger, Brown, Cardiff, Choquette, Clancy, Cyr, Danforth, Doucett, Honey, Horner (*Acadia*), Horner (*The Battlefords*), Howe (*Wellington-Huron*), Kelly, Korchinski, Madill, Matte, McBain, McCutcheon, Moore, Mullally, Noble, O'Keefe, Pigeon, Rapp, Roxburgh, Southam, Watson (*Assiniboia*), Whelan (31).

Witness: Mr. Austin J. Stanton, Assistant Director (Agriculture), Agriculture and Fisheries Branch, Department of Trade and Commerce.

In attendance: Mr. Florent Beaudette, Commodity Officer, Department of Trade and Commerce.

The Chairman informed the Committee of the latest developments in the proposed cross-Canada tour of this Committee announced in the House by the Minister.

The Chairman introduced the witness and his adviser; Mr. Stanton read a statement and was questioned.

It was *agreed* that a document produced by Mr. Stanton and entitled "Canada—Flue Cured Tobacco Exports" be appended to this day's evidence. (*See Appendix 1*)

It was further *agreed* that the witness provide the answers to the questions asked by:

Mr. Pigeon,—Quantity of cigar and pipe tobacco imported, (*See Appendix 2*)

Mr. Danforth,—Cost of trade missions and potential markets secured; (*See Appendix 3*)

Mr. Doucett,—Tobacco export for the years 1955 to date; (*See Appendix 4*)

Mr. Noble,—Figures indicating consumption in Canada and reduction in sales of tobacco. (*See Appendix 5*)

And that these answers be appended to this day's evidence.

The examination of Mr. Stanton being concluded, the Chairman thanked him.

The Chairman also informed the Committee that this was the last meeting at which evidence will be heard. Beginning next week, the Committee will meet "in Camera" to begin the preparation of its Report to the House.

At 11:45 o'clock a.m., the Committee adjourned to Tuesday, July 21, 1964, at 9:30 a.m.

TUESDAY, July 21, 1964.

(8)

The Standing Committee on Agriculture and Colonization met this day at 9:45 o'clock a.m. The Chairman, Mr. Russell C. Honey, presided.

Members present: Messrs. Armstrong, Béchard, Beer, Brown, Clancy, Danforth, Doucett, Émard, Honey, Horner (*Acadia*), Howe (*Wellington-Huron*), Lessard (*Lac-Saint-Jean*), Madill, Matte, McBain, McCutcheon, Moore, Noble, Olson, Pigeon, Rapp, Southam, Vincent, Watson (*Assiniboia*), Watson (*Château-guay-Huntingdon-Laprairie*). (25).

The Committee sat "IN CAMERA" to prepare its Report to the House.

At 11:20 a.m. the Committee adjourned to the call of the Chair.

D. E. Levesque,
Clerk of the Committee.

Note—The evidence, adduced in French and translated into English, printed in this Issue, was recorded by an electronic recording apparatus, pursuant to a recommendation contained in the Seventh Report of the Special Committee on Procedure and Organization, presented and concurred in, on May 20, 1964.

EVIDENCE

THURSDAY, July 16, 1964

The CHAIRMAN: Gentlemen, we have a quorum and, therefore, we might proceed with the meeting.

Before we proceed to our actual duties, if I have your permission there are one or two things I would like to mention to the committee in order to obtain the committee's opinion on them.

Firstly, you heard the announcement of the minister yesterday in the house relative to the cross-Canada tour of this committee. I hope your steering committee will be able to review this agenda within the next ten days. It is now being prepared in the Department of Agriculture under the supervision of Mr. Barry, the deputy minister. I hope this will be available for your steering committee shortly so it can be reviewed and so that they can report to the committee on the itinerary.

Mr. HORNER (*Acadia*): Can we be assured that we will be able to get a quorum of Liberals on that trip, Mr. Chairman?

The CHAIRMAN: I suspect we might!

The other matter on which I wanted to ask the committee's opinion is with respect to our report on the tobacco industry. The witness this morning will be our last witness; this has been agreed. I will make this suggestion and ask if the committee agrees, that we meet on Tuesday morning next week for a type of informal, round table discussion because it will be the responsibility of your steering committee to draft your report, and I think your steering committee would like to have the opinion of all committee members. If it is agreeable to the committee, we will do this on Tuesday morning, and we will ask everyone to give us their version of the salient points which should be contained in the report. Is that agreed?

Agreed.

Then, gentlemen, I am pleased this morning to introduce to you someone whom many of you already know, Mr. Austin Stanton, commonly known as Ozzie, who is assistant director for agriculture, agriculture and fisheries branch, Department of Trade and Commerce. Mr. Stanton's primary responsibility in the department is in connection with export sales of Canadian tobacco.

Before I call upon Mr. Stanton I should mention that he has been kind enough to supply the committee with certain tables of which, I think, you all have copies. For the record, is it agreed that these tables which concern tobacco exports be appended to and form part of the proceedings of this committee meeting?

Agreed.

I have introduced Mr. Stanton to the committee and he may now wish to make some preliminary remarks, after which we might proceed to examination.

Mr. AUSTIN J. STANTON (*Assistant Director (Agriculture), Agriculture and Fisheries Branch, Department of Trade and Commerce*): Thank you, Mr. Chairman.

I understand this committee is looking into agricultural research, and particularly that research associated with the tobacco industry; whereas our role in the Department of Trade and Commerce is not directly involved. It is my

understanding that I was invited here to discuss the export trade potential for tobacco. Greater agricultural research may have the effect of producing more tobacco, which would require an expanded export trade.

If I may be allowed I would like to read a short statement from which you might find some answers regarding our export trade in tobacco—and the promotion of this export trade which is our main responsibility in connection with the tobacco industry.

In the promotion of Canada's foreign trade, the Department of Trade and Commerce has two matching roles to play—finding demands abroad for Canada's goods and services, and finding sources of supply to match demands. The work of the agriculture and fisheries branch of this department is particularly concerned with promoting the sale in world markets of the products of Canada's agriculture and fisheries industries and maintaining a system of reporting on the agriculture and fisheries developments in foreign countries. The branch maintains a close liaison with the trade, producers and processors, provincial marketing boards, industry associations and with other government departments, both federal and provincial.

The department's export promotional activities on behalf of Canada's tobacco industry are numerous. Involved are the routine exploratory and development work required to find new outlets and connections for Canadian tobacco exporters, providing existing and potential buyers with production and marketing information on Canada's tobacco crop, showing Canadian tobacco at trade fairs and other appropriate exhibits abroad, organizing and sponsoring trade missions to existing and new markets, assisting individual exporters and organizations in the negotiation of certain export sales, and assisting the industry in other associated promotional activities.

Due to the combined efforts of the tobacco producers' organizations, the provincial governments, the tobacco exporting companies, and the Department of Trade and Commerce, a number of new markets for Canadian tobacco have been developed in recent years. For example, first sales of Canadian tobacco were made to Scandinavia, the far east, the middle east and eastern Europe within the last three years.

As a direct result of trade missions organized and sponsored by the Department of Trade and Commerce in 1963, several new buyers are now using Canadian tobacco. Our trade mission to eastern Europe and the middle east in the autumn of 1963 resulted in Canadian tobacco being sold and shipped to Bulgaria, the Soviet union, Czechoslovakia and Israel. Negotiations are continuing for further sales with other markets in these areas which were initiated by the trade mission.

Last year, three representatives of the Japanese monopoly corporation were brought to Canada by the Department of Trade and Commerce to witness developments in Canada's tobacco industry and to discuss export sales. As a result of those discussions, the Japanese monopoly purchased flue cured tobacco from the 1962 crop and the 1963 crop.

The Ontario flue cured tobacco growers marketing board is endeavouring to establish an export promotional program and the department will be assisting wherever possible in the promotional activities of this program. The department has already undertaken a world-wide survey of export possibilities for Canadian tobacco. This long term survey will assist and provide some guidance to the tobacco industry in the planning of promotional programs and will indicate where opportunities exist for the introduction of Canadian tobacco and for the expansion of existing foreign markets.

The CHAIRMAN: Thank you, Mr. Stanton.

Gentlemen, I must apologize for overlooking the introduction of the gentleman who has come along with Mr. Stanton in an advisory capacity, Mr. Florent

Beaudette, who is a commodity officer of the Department of Trade and Commerce. We are very pleased, Mr. Beaudette, that you are with us this morning also.

Mr. PIGEON: I congratulate you for your brief, and I would like to ask you if you have sufficient personnel to promote the sales of tobacco on foreign markets.

Mr. STANTON: I believe we have in our offices abroad. We possibly could use more help in the headquarters staff to undertake more of the analytical type of work, studies of the export potential, etc. We hope to be able to do more of that work. We have some 60 offices around the world, staffed by trade commissioners who have the front line responsibility of promoting our export trade in tobacco as well as other commodities. However as I have already stated, we possibly could undertake deeper export studies on behalf of the industry from our headquarters location.

Mr. PIGEON: If you have a prospect for important sales concerning tobacco, do you need a specialist to discuss the grades and the price and so on? I think it is not easy for a man like yourself or others to discuss the price and grades because they are complicated. What do you do about this?

Mr. STANTON: It is not our role to actually sell the tobacco. It is our role to bring together the Canadian exporter and the foreign importer. From that point, it is up to the two parties involved. We have been directly involved in the sale of surplus tobacco where we actually participated in the negotiations, but generally speaking on regular, or normal commercial sales we bring the buyer and the seller together, and it is up to them to negotiate from that point on. So far as technical qualifications are concerned, of course, we do have the Canada Department of Agriculture to assist us on the technical side, as well as the technical people in the tobacco companies and in the tobacco organizations.

Mr. PIGEON: It is helpful to have the tobacco export figures, but I think all the members of the committee would appreciate having figures of the tobacco we have bought from other markets. Do you think it is possible to send those figures, in both languages, to this committee by mail in time for the next meeting?

Mr. STANTON: Certainly.

Mr. PIGEON: In connection with cigar tobacco, we have one million pounds unsold in the province of Quebec. The province of Quebec has a lot of unsold tobacco. Have you any prospect for this on the foreign market?

Mr. STANTON: This cigar filler tobacco is not exported from Canada in any volume. There has been some export just recently from that stock, but there is a difficulty in that this Canadian tobacco is higher priced than world market prices. Due to that fact, there is difficulty in marketing it abroad. We are in touch with the co-operative which has the tobacco in its possession, and we certainly hope to be able to assist them where we can. However, there are some real difficulties.

Mr. PIGEON: I have another question.

Have you the figures of the cigar tobacco we produce here in Canada and of that which we import? I am not speaking of the wrapper, because we do not produce that.

Mr. STANTON: The filler?

Mr. PIGEON: Yes, the filler—for the last two years and from what countries?

Mr. STANTON: In 1962 we imported roughly two million pounds of cigar leaf tobacco. In 1963 we imported about 1.9 million pounds. The main suppliers were the United States, Cuba, Holland, and South Africa, as well as other minor suppliers.

Mr. DOUCETT: What kind of leaf do you get from South Africa?

Mr. STANTON: This is cigar filler. Also we import some wrappers.

Mr. DOUCETT: Where do you get the wrappers? That is the leaf that makes the good cigar.

Mr. STANTON: From the United States.

Mr. DOUCETT: Do you get any from Cuba?

Mr. STANTON: Yes.

Mr. DOUCETT: Do you get more from the United States than from Cuba?

Mr. STANTON: Yes, the United States is the largest supplier, and then Cuba follows.

Mr. DOUCETT: What is the best leaf?

Mr. STANTON: For cigar making?

Mr. DOUCETT: For wrappers.

Mr. STANTON: I would like to answer that question but we are getting into a field which is more the responsibility, as Mr. Pigeon mentioned, of the technical people such as the Department of Agriculture. We try to market tobacco, but when one gets into the technicalities of one leaf versus another, this is primarily the responsibility of the Department of Agriculture.

Mr. PIGEON: But these figures do not include the wrapper tobacco?

Mr. STANTON: Yes.

Mr. PIGEON: Have you the figures for wrapper tobacco that we have bought?

Mr. STANTON: No, the dominion bureau of statistics does not break that down.

Mr. PIGEON: I asked you that because the cigar tobacco growers face a big problem, and I think it will be important to have the separate figures, if that is possible.

Do you receive many complaints from the tobacco growers and requests to have the tariff increased? Or is the minister or the department asked to fight to have the tariff increased at the next GATT conference in order to stop the importation of the tobacco which we can produce here in Canada. I am not including the wrapper tobacco because we do not produce that in Canada.

Mr. STANTON: Any submissions or representations on Canadian tariffs on tobacco would, of course, be directed to the Minister of Finance not to the Department of Trade and Commerce.

In recent times I do not remember any great activity in this field in so far as the tobacco industry is concerned.

Mr. PIGEON: But when governments send delegations to Geneva to the GATT conference, I think the Minister of Trade and Commerce sends a specialist to discuss the tariff, and so on.

Mr. STANTON: Yes; this has to do with the general agreement on tariffs and trade. The Department of Trade and Commerce is directly involved, as well as the Department of Finance, but I had assumed that you were talking about Canadian tariffs.

Mr. PIGEON: No. I am talking about the agreement that is made with all countries concerning tariffs. They have an agreement between countries. I am not a specialist in this field, but I know an agreement is made in Geneva about these tariffs.

Mr. STANTON: It is true that the Department of Trade and Commerce is directly involved. The tobacco manufacturing industry and tobacco growers' organizations are submitting briefs to the appropriate committee which will be responsible for negotiating tariffs at Geneva.

Mr. PIGEON: Does the Department of Finance make any recommendations to you in these negotiations? The recommendations do not come from the Department of Trade and Commerce? They come from the Department of Finance?

Mr. STANTON: Yes. Any change in the Canadian tariff would be the responsibility of the Minister of Finance.

Mr. HORNER (*Acadia*): Would it not be initiated by the Department of Trade and Commerce?

Mr. STANTON: It is a combined committee which includes representatives of the Department of Finance, the Department of Trade and Commerce, the Department of External Affairs, the Department of National Revenue and the Department of Agriculture. These Departments are represented on this committee which is now receiving briefs, both written and oral, from industry groups. These briefs will be studied and, upon completion of these studies, tariffs will be negotiated by the Canadian negotiating team at Geneva. It is a combined group, but again you are getting into something that is somewhat out of my field of responsibility.

Mr. HORNER (*Acadia*): May I ask a supplementary question in order to clear this up?

Can I assume, then, that this committee is now engaged in discussions with regard to the tariff levied on tobacco?

Mr. STANTON: I would not say specifically on tobacco at this time. They are now holding discussions with industry on tariffs and trade controls, for all commodities.

Mr. HORNER (*Acadia*): On all commodities, yes, but we are studying tobacco here. Would you say it is now studying the question of tariffs on tobacco?

Mr. HOWE (*Wellington-Huron*): What is the situation with regard to tariffs between Canada and the United States in connection with this particular type of tobacco about which you are talking, this filler? Is it a question of quality? Could we export to the same advantage to the United States as they can export to Canada? I am speaking in connection with tariffs.

Mr. STANTON: Generally speaking, the United States and Canadian tariff rates preclude any great amount of trade in tobacco between the two countries.

Mr. HOWE (*Wellington-Huron*): What is the tariff?

The CHAIRMAN: Do you have that information?

Mr. HOWE (*Wellington-Huron*): Is there a corresponding tariff coming into Canada?

Mr. STANTON: There is a tariff both ways on tobacco.

Mr. HOWE (*Wellington-Huron*): Could we have some idea of the quality of it going both ways? We come back to the border situation where there was a 12½ per cent tariff for United States broilers or chickens coming into Canada and a straight five cents per pound for Canadian broilers going into the United States. That was all right for broilers at 45 cents per pound, but when they went down to 20 cents per pound there was an inequality. Is there anything like that with tobacco?

Mr. STANTON: If you wish to discuss tariffs and quality, in detail I should say that these matters which are outside my responsibility.

Mr. HORNER (*Acadia*): It should come under the Department of Trade and Commerce.

Mr. STANTON: Foreign Tariffs come under the Department of Trade and Commerce.

Mr. HORNER (*Acadia*): Foreign tariffs include United States and Canadian. What is the rate between the United States and Canada?

Mr. STANTON: Which tobacco?

Mr. HORNER (*Acadia*): Give us the three rates for flue cured, burley and so on. When you go out on foreign markets to assist in selling this product this would be one of the things that would come up first, would it not? You would first be asked about the tariffs by a foreign buyer, would you not?

Mr. STANTON: Generally speaking, our competitors are the United States, Rhodesia and India in flue cured tobacco. If tobacco is entering these market countries, then the same rate applies to Canada, so it is a case of the price of the Canadian tobacco plus transportation. The tariff rate is the same, so it does not affect competitiveness. If we already have competition from these other suppliers in the market, the tariff rate does not affect the competitive price.

Mr. PIGEON: Could you as soon as possible send us figures of the tariffs for the various countries which import? We would appreciate having these figures.

Mr. HORNER (*Acadia*): While we are on the subject of tariffs, may I ask if there was any change in tariffs on tobacco from Canada entering the common market in recent years?

Mr. STANTON: Yes.

Mr. HORNER (*Acadia*): Was it up or down?

Mr. STANTON: The common tariff rate is up.

Mr. HORNER (*Acadia*): It is higher now?

Mr. STANTON: It is higher for some countries. It depends upon the country. As you know, there are six countries in the common market. Some countries now have a higher rate and some now have a lower rate than the proposed common level.

Mr. HORNER (*Acadia*): I noticed that our exports to Germany had fallen off. May I assume from that that the tariff has gone up?

Mr. STANTON: No, not so far as Germany is concerned. That is purely a competitive situation.

Mr. HORNER (*Acadia*): In what countries have the tariffs gone up in the European common market in regard to tobacco? France?

Mr. STANTON: I would not like to say offhand. The proposed common market rate was 30 per cent and it was negotiated down to about 28 per cent. The common market tariff rate will be about 28 per cent in the final year.

Mr. HORNER (*Acadia*): The seventh year?

Mr. STANTON: It is somewhere between the individual country rate and the proposed 28 per cent; it is still a high rate.

Mr. PIGEON: I have a last question. I ask you if it is possible—and I think the committee will agree with this recommendation—to ask the dominion bureau of statistics to give us the figures separately for binder leaves, filler and wrapper cigar tobacco. We asked many questions of the witnesses appearing before the committee last week, specialists in cigar tobacco, and they were unable to give us the figures. We would appreciate very much having the figures for the binder leaves, filler leaves and wrapper leaves.

Mr. STANTON: The problem here is that the dominion bureau of statistics will not issue import figures if there are only a few importers. In other words, it could disclose the business of a private company. This may be the situation in regard to the cigar filler or binder; I do not know. This may be the reason, but we will have to find out.

Mr. PIGEON: You told us that in 1962 we imported two million pounds of cigar tobacco leaves. I think it is very important, in view of the problem we now face in this country, for the committee—and I think the other members will agree—to recommend to the dominion bureau of statistics that we should have these figures.

The CHAIRMAN: May I ask you, Mr. Stanton, when you think you might have available the information for which Mr. Pigeon has asked?

Mr. STANTON: We can have it tomorrow, if it is available.

The CHAIRMAN: Then I wonder if the committee would agree that the information requested by Mr. Pigeon be appended as an appendix to the proceedings of today?

Agreed?

Mr. STANTON: Provided of course it can be released by the dominion bureau of statistics.

Mr. PIGEON: And the tariffs.

The CHAIRMAN: Yes, the information for which you have asked.

Mr. DANFORTH: I would certainly like to thank the witness for his introductory remarks and also for his summation of the movement of tobacco to the various countries. I am certain it is going to be of great benefit to the committee in assessing the whole tobacco picture. We are very grateful for this information.

Sir, you spoke of the outlets for the movement of tobacco as being trade commissioners—and I believe you spoke of some 60 offices throughout the world. You spoke of trade missions and you spoke of trade fairs. I think those were the three main sources of contact with actual buyers, if I understood you correctly.

Mr. STANTON: Yes.

Mr. DANFORTH: Could we perhaps have a little more information on the activities of these three outlets? For example, are the commissioners throughout the world in the commission offices stationed in the various countries where potential buyers may come to obtain all the information they might desire pertaining to specific commodities from Canada? Is this the object of the commissioners in these various countries?

Mr. STANTON: Yes, our trade commissioners are stationed in countries which the government feels have either a large existing trade or a good potential for future trade. The main reason they would be posted in a certain country would be to look after total trade, but at the same time our trade in important commodities is also considered. If one country does not have a Canadian trade office located in it, it is still covered by a trade commissioner located in an adjacent country, I am thinking now of the Eastern European countries and some of the Caribbean countries for example.

Mr. DANFORTH: Are these commission offices sufficiently staffed, and can your men go out and solicit business? Or are they more or less clearing houses for essential information?

Mr. STANTON: My experience, gained through visits to various of these offices around the world, has been that our trade commissioners get out and approach the trade, and government authorities where they are involved, more than any other foreign trade service in the world. Without mentioning other foreign services, I may say that this has often been mentioned to our trade commissioners and the department in Ottawa. I can say that they actually do get out and contact potential importers on a personal contact basis.

Mr. DANFORTH: What I am interested in in this particular operation is this. If we have a specific commodity for manufactured goods in Canada that we

would wish to sell, are these trade commissioners notified, and do they work on specific sales in this regard?

Mr. STANTON: Yes. The commodity officer located in Ottawa handles an industry or a group of commodities. It is his responsibility to bring to the attention of our 60 officers, or fewer in cases in which we know there is no hope of marketing the particular product, the availability of the product and all the appropriate details required. Then the trade commissioner in turn brings to the attention of the various importers the availability of this product. In most cases, we recommend that the exporter in Canada appoint a representative in a foreign country. Probably one of the heaviest or important roles our trade commissioners have is that of selecting suitable and reliable representatives for Canadian companies in foreign markets.

Mr. DANFORTH: May I move on then to trade missions. These trade missions, as I am sure the committee realizes, are sent out to various countries but, as I understand it, they are not sent out on a schedule or routine. It is predetermined by the necessity to sell perhaps one or two commodities that we find in excess in Canada. Am I not correct in this?

Mr. STANTON: The procedure for adopting or selecting a program of trade missions is this. Our trade commissioners located in some 45 or 50 countries of the world are approached for their recommendations, based upon their experience during the last year, as to which industries or commodities should receive marketing and promotional attention by means of a trade mission. The same thing happens in Canada from our home based officers. These officers are in constant touch with the various industries throughout the year. It is on that basis that recommendations are made and a mission is decided upon on behalf of an industry.

Mr. DANFORTH: As I am from Ontario I am perhaps more familiar with this province than with others. We hear of the Ontario trade missions going to the various countries. Are these in conjunction with the federal trade missions? Do they co-operate, or are they separate missions in this regard?

Mr. STANTON: They are separate missions, but we are made aware of these missions and we co-operate and work closely with the provincial governments in these mission efforts. The provincial authorities responsible for organizing these provincial missions use our foreign services abroad to organize the foreign itinerary, meetings etc. for the mission.

Mr. DANFORTH: Would you say there was a duplication in this regard, or does this liaison tend to counteract that? Is that a fair question?

Mr. STANTON: I believe there is a role for both the federal and provincial trade missions.

Mr. DANFORTH: I did not put this question in order to embarrass the witness. What I am interested in is whether there is an actual duplication of effort in the exchange of information. Is there a tendency to duplication?

Mr. STANTON: There certainly is a possibility of duplication but, so far as I am aware, there has been no serious duplication as yet.

Mr. DANFORTH: I would like to ask a question with regard to the financing of trade missions when various persons who are experts in various commodities are invited to participate. How are they financed? Is it by the government, or is it on an industry-shared basis? How are they financed?

Mr. STANTON: The Department of Trade and Commerce sponsoring a mission pays the cost of the transportation expenses of all the members to the foreign country, within the foreign country and return to Canada. Also there are other miscellaneous expenses. The industry members pay for the cost of their own accommodation, meals and incidentals.

Mr. DANFORTH: As a committee I am sure we are interested in the research in this particular field of sales because it would have a real bearing on Canadian production. Is there any program, as far as trade and commerce is concerned, to send out exploratory trade missions to countries which have never yet been customers, or are these tied in with regular trade missions?

Mr. STANTON: Countries to be visited by our trade missions are selected for both reasons; that is, either it is an existing market or a potentially new market. I might give as an example our trade mission on tobacco to eastern Europe and the Middle East last year. We visited some eight countries; they were all new markets and had never purchased Canadian tobacco before. As a result of that mission, we sold some five million pounds of tobacco. We negotiated sales during the mission and subsequently concluded the sale of about five million pounds of flue cured tobacco. These were all new markets which had never purchased Canadian tobacco before.

Mr. DANFORTH: This is a question which may not be fair but I would like to pose it. Is there in the opinion of the witness some way in which this committee could have a comparison of the cost of a trade mission and the potential market secured in any trade mission? In other words, I think the committee would want to know the cost of a mission and whether or not there should be an increase in expenditure in this regard in order to extend Canadian markets overseas. I think the only way to get the picture is to have some idea of the comparative cost of the mission and the potential business that is secured. We see a mission was successful and that it established two markets. If we could have information in this regard it would be of benefit to the committee in their deliberations.

Mr. STANTON: May I hold this question and answer it by submitting the information, which we can provide, at a later date? This information is available, showing the cost of the missions and the business results where they were able to be actually quoted.

Mr. DANFORTH: I am certain the committee will appreciate such information.

The CHAIRMAN: May I interject? Is it agreed that this information be appended as part of the proceedings of this morning's meeting?

Agreed.

You will send that to the clerk.

Mr. STANTON: Yes.

Mr. DANFORTH: I would like to deal with trade fairs along the same lines. Is the establishment of a trade fair—the actual location of a trade fair—worked out in the same manner as the potential field for a trade mission, by a meeting of the commissioners and the department officials?

Mr. STANTON: Generally speaking, yes. The main difference between trade missions and trade fairs is that the trade fairs are taking place in any event in a foreign country—for example, the international trade fair in Tokyo or Osaka takes place annually or every two years. It is a matter of considering fairs that are to take place, but the decision reached is arrived at in somewhat the same manner.

Mr. DANFORTH: Could we have some idea of the number of trades in Canada that participate in fairs and, secondly, whether it is an annual occurrence in the same country every year, and in how many countries we do participate in a trade fair every year? I ask this in order that we may have some idea of this avenue of sales for Canadian products?

Mr. STANTON: Yes.

The CHAIRMAN: Is it agreed that this information will also be appended to today's proceedings?

Agreed.

Mr. DANFORTH: I will pass at the present time.

Mr. KORCHINSKI: May I follow up what Mr. Danforth was asking with regard to trade fairs?

Can you briefly elaborate on the composition of the staff at the trade fair? Is it composed primarily of people from the Department of Trade and Commerce, or are other departments available for information purposes?

Mr. STANTON: Is it the actual staffing while the fair is taking place that you are referring to?

Mr. DANFORTH: That is right.

Mr. STANTON: It depends upon the fair. If it is a specialized fair—say a food fair or an engineering equipment fair—we will have at least one or two specialists from Ottawa plus our trade commissioners.

Mr. KORCHINSKI: From what department?

Mr. STANTON: From the Department of Trade and Commerce or, if it were a technical type of fair, we would naturally call in a technical man, possibly from the Department of Agriculture or another department or if necessary from industry.

Mr. KORCHINSKI: Would it be predetermined whether you would want him at hand or not?

Mr. STANTON: Yes.

Mr. KORCHINSKI: So if someone came in with a question such as Mr. Pigeon's question, a technical question, you would not have anyone available who might be able to provide that information at the moment?

Mr. STANTON: It would be awfully difficult to have all the technical persons available for the many industries and commodities that might be represented at a trade fair or to answer all of the questions that might be asked. However, if it is a specialized fair, we have a technical man or a specialist on duty. If it is a general trade fair, it is a matter of accepting inquiries, and these will be followed up by the trade commissioner in that country.

Mr. NOBLE: May I ask the witness a supplementary question on this matter, Mr. Chairman?

When you set up your booth in a trade fair to represent tobacco growers, do you not have some top men from the various organizations there to try to do some business?

Mr. STANTON: Yes. However tobacco does not lend itself to trade fairs as well as to trade missions. It is such a unique and special type of commodity, one which, as you know, is purchased by aroma, colour texture etc. Tobacco was exhibited in Rhodesia last year and members of the tobacco growers organization as well as the industry, were there to answer technical questions. It was also exhibited in London, England and again technical people were in attendance to answer questions.

Mr. NOBLE: The reason I ask this question is that I belong to an industry which is far removed from the tobacco industry—the fur industry—but one which attends fairs. We have people representing us at the fairs who do business for us and promote our industry in other countries.

Mr. STANTON: Yes, I am well aware of the efforts made on behalf of the fur industry; they have been going on for a long time.

Mr. KORCHINSKI: I wonder, Mr. Chairman, if we may have an indication of whom you might be trying to impress at the trade fair. Would it be strictly the importer or would it be a potential customer?

Mr. STANTON: If it is a trade fair that is open to the public, it is usually a general trade fair and we are trying to impress both—the public—and the trade. If it is a trade fair that is open only to businessmen, then of course the exhibit is so designed and the people in attendance are there to discuss trade with businessmen only. Basically, we are trying to impress potential importers and potential agents but, as I say, if it is a general fair, the public or consumers are included.

Mr. KORCHINSKI: I wonder if you could tell me whether there is a comparable operation within the Department of Agriculture, if there is somebody who has technical knowledge, and if they also have a display at some of these fairs. Or is this not done at all?

Mr. STANTON: No, there is no duplication. The Department of Agriculture has a fairs section, but as far as I am aware they participate only in domestic agricultural fairs, whereas the Canadian government exhibition commission of the Department of Trade and Commerce participates mainly in foreign fairs.

Mr. KORCHINSKI: You may have some information of cases where there is a request for some technical information on the type of tobacco, and that sort of thing, which is not readily available or is not part of the display. How soon can this information be provided? I ask this because it is possible that someone else nearby from some other country may have all the information available immediately and the importer may feel it is desirable to deal with the people who have all the information.

Mr. STANTON: My experience has been that, if it is an involved question the questioner at a trade fair realizes that he is not going to get all the information immediately. However, we can provide the information by our cable system in a matter of hours. Our people in Ottawa are in constant touch with suppliers and all other people concerned with tobacco. It is simply a matter of getting on the telephone, getting the information and cabling it back to the trade commissioner.

Mr. KORCHINSKI: In your experience, therefore, the staff available is quite capable of handling the situation quickly?

Mr. STANTON: Yes.

Mr. KORCHINSKI: I know they can handle it, but I think it is a question of time.

Mr. McCUTCHEON: Mr. Stanton, on the first page of the charts here you show exports to the United Kingdom of 34,467.1 thousand pounds in 1962 and 27,813.6 thousand pounds in 1963. Would you care to comment upon the reason for the decrease in sales to the United Kingdom of this flue cured tobacco?

Mr. STANTON: Exports in 1963 would be from the 1962 crop.

Mr. McCUTCHEON: I am aware of that.

Mr. STANTON: You will recall that of the 1962 crop of tobacco there remained unsold some 25 million pounds, of flue cured tobacco which came into the possession of the Ontario tobacco growers board. This would normally have been sold to Canadian tobacco companies. Whether or not it would have gone into domestic or export is anybody's guess, but certainly there was less tobacco marketed.

Mr. DOUCETT: If it was exported you would have a record of it, would you not, regardless of who exported it?

Mr. STANTON: Not who exported it.

Mr. DOUCETT: Then these figures do not mean anything.

Mr. McCUTCHEON: Who would have that information? I am not concerned with whether it is 1962 or 1963. You have given figures here for 1960, 1961, 1962 and 1963. The point is this: If I were selling something and I suddenly sold seven million pounds less I would want to know why. Can you give me any information which would show me why this drop occurred. Is it a matter of price? Is it a matter of competition? Is it a matter of poor quality? What is it?

Mr. STANTON: In a moment I can possibly give you the reason why. This was taken up by Rhodesia.

Mr. McCUTCHEON: May I refer for a moment to your last chart. Rhodesian exports in 1961, 1962 and 1963 are shown as 95,249,000, 80,766,000 and 92,787,000 pounds. We have been told that the Rhodesian people have captured a lot of the Canadian market and yet we see from this that Rhodesia's total exports are virtually the same. Is it true that they have redirected their exports? Have they captured this United Kingdom market, or what is the story?

Mr. STANTON: We are looking at three years of Rhodesian exports here, but over the long term Rhodesian exports, on a chart, would show a fairly steep rise, whereas Canadian exports have been going up but not in as steep a climb. The United States is about the same. Rhodesia's crop this year is 320 million pounds as compared to 100 million some years ago. She exports about 90 per cent of her crop, whereas in Canada we export about one quarter, or less. So if Rhodesia grows 320 million pounds she must export 300 million pounds or close to it. She requires very little in her own country.

Mr. DOUCETT: Then we cannot compete with their price. That is why we cannot sell. We could produce an awful lot more tobacco if we could get a market for it.

Mr. STANTON: It depends upon the grade. Rhodesia does have cheaper prices in certain grades but, Canadian tobacco competes in other grades.

Mr. DOUCETT: In what grades do we not compete? Good grades or poor?

Mr. STANTON: I would not like to answer that here. We have some 80 grades this would have to be an answer that is written.

Mr. DOUCETT: Would it be in flue cured or burley tobacco? Could we get it down to those two?

Mr. STANTON: This information can be given to you.

Mr. DOUCETT: But you have not got it with you?

Mr. STANTON: No, not with regard to all grades.

Mr. ROXBURGH: That would be all flue cured.

Mr. STANTON: I am talking of flue cured tobacco.

Mr. ROXBURGH: I think—if you do not mind me interrupting—there are different grades, but the high quality grade tobacco is one in which Canada does compete. There are a lot of different grades, as Mr. Stanton has pointed out. In the high quality grade we can compete as far as price is concerned.

Mr. HORNER (*Acadia*): What are they buying? Are they buying the high quality grade?

Mr. ROXBURGH: Britain does.

Mr. HORNER (*Acadia*): Then why did we lose those sales?

Mr. ROXBURGH: As far as that part is concerned, that goes away back to the value of the pound sterling a number of years ago when Britain asked Rhodesia to grow the tobacco because of the difference in value of the Canadian and the United States dollar. That is when they came into the market

and took it over. Britain guaranteed them the market at that time. Am I not right in saying that?

Mr. STANTON: Yes, the guarantee was given by the tobacco advisory committee of Great Britain. It was an arrangement between the tobacco industry of the United Kingdom and the Rhodesian growers. There was a number of reasons for the lower exports from Canada. The Rhodesian price might be low, the United States might move a greater amount of tobacco into the export markets; also, there is quality, which is extremely important in tobacco. There might have been better quality from one of our competitors.

Mr. MCBAIN: Is it a fact that the United States and Rhodesian governments subsidize their tobacco for export?

Mr. STANTON: As far as I am aware, the Rhodesian government does not subsidize exports. The Rhodesian government is involved with the tobacco organizations, but I do not believe the government subsidizes tobacco. The United States moves tobacco into export under certain marketing programs, which makes it rather difficult for other supplying countries to compete in some markets.

Mr. McCUTCHEON: I do not wish to belabour this point any further so far as that is concerned, but these tables of yours still show that in 1963 Rhodesia exported 92,787,000 pounds, which is not out of line at all with what they have done in other years. My question is this. Our exports are down. Are they down at the expense of Rhodesia capturing more of the United Kingdom market or, if that is not the case, where did the Rhodesian tobacco go before? According to this it is roughly the same volume, yet we have heard rumours to the effect that it is Rhodesian tobacco that has spoiled our market in the United Kingdom. Can you comment on that? I am very interested in these two crop years.

Mr. STANTON: First of all, the United States, as you will notice, took up a much greater amount of tobacco than in the previous year; but they are down from 1961, it is true.

Mr. ROXBURGH: That is stockpiling.

Mr. STANTON: At the same time, they are stockpiling tobacco. The United States was up. Our tobacco exports to Great Britain go up and down depending upon the year, but they have not been on a continuing downward trend. The problem is that we have been unable to obtain a share of the increasing world market, and the Rhodesians have been able to do so. The world consumption of tobacco is going up, including Great Britain, yet our exports have been fairly steady, whereas Rhodesia has been producing more tobacco and selling more tobacco in the United Kingdom. That is because of price as well as quality in certain grades.

Mr. McCUTCHEON: I do not want to put words into your mouth, but I would suggest it is price rather than quality that we are losing out on.

Mr. STANTON: They certainly can sell certain grades at a lower price than can Canada.

Mr. DANFORTH: May I interject a supplementary question which may resolve this difficulty?

If my memory serves me correctly, the 1962 crop year was when they were using the spray on flue cured tobacco, and there was a great deal of buyer resistance to the purchase of flue cured tobacco in that particular year.

Mr. STANTON: The MH-30?

Mr. DANFORTH: Yes.

Mr. STANTON: The percentage of tobacco that was sprayed would still be small when we are talking about the size of these figures.

Mr. DANFORTH: My point was this, in 1962, if I remember the tobacco auctions correctly, that was one of the reasons that there was a slow down in the purchase by foreign countries of the Canadian crop and why there was the 25 million pounds carry-over in that particular year.

Mr. STANTON: There might have been some hesitancy to purchase at the auctions because of the use of the spray.

Mr. DANFORTH: That was in the sales in Great Britain at that particular time.

Mr. STANTON: Certainly in Great Britain they make it known that they do not want the MH sprayed tobacco.

Mr. ROXBURGH: I think that is partly the answer on that.

Mr. McCUTCHEON: Will you look with me at page two of your chart which refers to tobacco "unmanufactured NES".

Mr. STANTON: This is tobacco other than flue cured and burley. It is the dark tobacco, cigar leaf, etc.

Mr. McCUTCHEON: We are away up in our export of that tobacco.

Mr. STANTON: Yes.

Mr. McCUTCHEON: Burley tobacco, on page two, is down to 794.3 thousand pounds in 1963 from a high of, the figure shown here, 1,484.2 in 1960. Being involved in sales I come back again to the question: why is this?

Mr. STANTON: Which figure?

Mr. McCUTCHEON: The figures for burley exports are shown in the first column for the United Kingdom—1,484.2 for 1960; 109.5 for 1961; 849.4 for 1962 and 794.3 for 1963. Does this mean we are not growing the right kind of tobacco for that market or is this price again, or what is the situation?

Mr. STANTON: As you know, burley is sold in a different manner from the flue cured tobacco, and the manufacturers agree to purchase so much burley for various reasons. If you remember, they went out of production completely in one year, therefore the figures are away down in one year. Burley can also be purchased, of course, from the United States, Rhodesia and other countries. Our burley is good burley; it is sold, and sold competitively, but I think the United States burley is recognized as being in first place quality wise.

Mr. McCUTCHEON: In other words, it is your opinion, is it, that one of the reasons for our decrease is quality in connection with burley more than price, or vice versa? Is that a fair question?

Mr. STANTON: I am afraid I would not be able to answer that.

Mr. McCUTCHEON: One more question and then I will pass. What share of the promotional cost is borne by the growers and, number two, by the processor? Can you give me that?

Mr. STANTON: What promotional type do you mean? There are various promotional activities.

Mr. McCUTCHEON: Anything to do with selling the darned product.

Mr. STANTON: Practically all the tobacco is exported by individual companies, and these individual companies must carry the costs of promotional activities. The department absorbs the costs of certain promotional activities such as trade missions—or part of the costs of those—and certain trade fairs. The growers' organizations are now undertaking to establish a promotional program which will be paid for presumably by the growers and processors. As yet, there are no combined promotional efforts where a combined budget is involved.

Mr. McCUTCHEON: There is no breakdown between processor and producer?

Mr. STANTON: The Ontario growers' board has a promotional fund of their own. The processors promote as individuals or as individual companies.

Mr. McCUTCHEON: Should they do more?

Mr. STANTON: It would be to the advantage of the tobacco industry and Canada's exports if everybody did more.

Mr. WATSON (*Assiniboia*): May I ask a question that is supplementary to this same problem, Mr. Chairman?

Mr. McCutcheon has been questioning with regard to the United Kingdom sales. On the first page, which shows flue cured tobacco exports, we see that this situation is also true in the cases of Belgium, West Germany, Holland, British Guiana, Trinidad and the United States. When one follows those high figures down in 1962, one sees they drop off in some cases by as much as 75 per cent in 1963. What would be the reason for our markets dropping off in these other countries?

Mr. STANTON: Most of the tobacco industry is operated by large international companies. These international companies purchase tobacco at the auctions in all the world producing countries such as Rhodesia, United States and Canada. They will purchase tobacco, provided it is acceptable or of suitable quality, at the lowest price at which they can buy. They will purchase more tobacco in Rhodesia in one year and less in Canada, or more in the United States and less in Rhodesia and so on. It depends on quality; it depends upon the price being realized at a free auction, and it depends upon the available supply of tobacco from these three or four main supplying countries.

Mr. WATSON (*Assiniboia*): To go back then to the previous figures on Rhodesia, there is not enough variation in their total exports to make up for the difference in our loss.

Mr. STANTON: No, but there is a great supply of tobacco in the United States.

Mr. WATSON (*Assiniboia*): Are our trade missions falling down on the job or is the Department of Trade and Commerce falling down in not being out and selling this because of the fact that we were high in 1962? Then we fell off so much. Is this a result of our Department of Trade and Commerce not pushing hard enough?

Mr. STANTON: You are talking about a long standing market in the United Kingdom. Our trade missions have been visiting completely new markets. Where we have a long standing trade and it is already in the hands of companies which have establishments or even subsidiaries in other countries, it is a matter for these companies to expand the trade. Our trade missions have been visiting completely new markets, and once tobacco has been introduced in a completely new market then it is up to the trade, and we expect that they will continue to visit these markets and increase their share of the market or develop it over the years. So far, our trade missions have concentrated on new markets. That is one example, of course. It depends upon quality; it depends upon price; it depends upon the available supply in each of the four supplying countries. It is a combination of reasons.

Mr. WATSON (*Assiniboia*): Would you say price is one of the big factors in 1962 and 1963 for our drop off?

Mr. STANTON: Price and quality. When we are comparing the Rhodesian, the United States and the Canadian crops it is a combination.

Mr. WATSON (*Assiniboia*): Do you find that authorities questioning the use of tobacco does have any influence at all?

Mr. STANTON: When we are talking about that amount of tobacco, I would say the answer is very little.

Mr. McBAIN: In your opening remarks you mentioned the fact that the Department of Trade and Commerce or the government had assisted in bringing over to Canada several members of the Japanese tobacco monopoly, and I believe while they were over here they made a total purchase of flue cured tobacco. Have you the figures of tobacco they purchased on that occasion?

Mr. STANTON: The Japanese monopoly purchased a little over 800,000 pounds of flue cured tobacco of the 1962 crop; this was the tobacco held by the growers board. They purchased a similar quantity on auction from the 1963 crop.

Mr. McBAIN: Has there been any report to the flue cured tobacco growers marketing board or the Department of Trade and Commerce on the results of their purchase of this tobacco?

Mr. STANTON: I was in Japan in May with another industry group and I visited with the Japanese monopoly to find out the acceptability of the tobacco that had been shipped, but at that time the 1962 crop tobacco had just arrived and was in storage, and they had not used it. So they could not give us an opinion.

Mr. McBAIN: In other words, it had not been manufactured.

Mr. STANTON: It had not been manufactured so they could not tell us whether it was suitable. They could not tell us whether it was suitable until such time as they had manufactured and smoked it, I suppose.

Mr. McBAIN: Is it the intention of the Department of Trade and Commerce to bring other prospective tobacco purchasers into Canada in similar circumstances as the Japanese monopoly members were brought here.

Mr. STANTON: Yes, in our next trade mission program we have trade missions for various industries including the tobacco industry, both incoming and outgoing.

Mr. McBAIN: Are there any special countries that are going to be invited under this same arrangement?

Mr. STANTON: We hope to be able to bring in buyers particularly from new markets or newly developed markets.

Mr. McBAIN: I notice on your figures here with regard to the exports of various countries that apparently Canada and the United States have not had too much success in exporting tobacco to iron curtain countries. The figures show that India is the chief exporter to those countries. Have we trade commissioners in those countries at the present time?

Mr. STANTON: Yes, we have officers there. The United States does export some tobacco. They are exporting tobacco to Poland under Public Law No. 480. They have exported to East Germany. The statistics show this. However, the main supplier of flue cured tobacco to Eastern Europe is India.

As a result of our first sales in 1963 we hope this will be developed into an expanding and permanent market in those countries for Canadian tobacco. The socialist group of countries is switching over in part to a type of cigarette which requires flue cured and burley tobaccos.

Mr. McBAIN: Is there a prospective market in Russia for Canadian tobacco?

Mr. STANTON: When we were in Russia in November it was claimed that there was no tobacco required at that time. Within days we were visiting Bulgaria, and we sold to Bulgaria for shipment to the Soviet union. Mind you, when compared to the whole tobacco consumption in the Soviet union, it is a

small amount. However, we believe they are now making cigarettes that require flue cured tobacco, so there is a developing market for the types of tobacco that we grow in Canada.

Mr. McBAIN: From some of your figures here one sees that the Soviet union has imported tobacco from India, but practically no other country except a small amount from the United States. Are they importing tobacco from other countries outside those shown on the table?

Mr. STANTON: Yes, they do, but their tobacco is mainly an oriental type. They use a comparatively small amount of flue cured tobacco. It is mostly oriental and dark tobacco that they use. The flue cured tobacco that they are importing is a very small percentage of their total consumption.

Mr. ROXBURGH: If you had ever smoked one of their cigarettes, you would know!

Mr. McBAIN: I have.

Mr. HORNER (*Acadia*): You mentioned the fact that the tobacco companies are mostly international companies. Would there be a tendency for an international company to direct these exports from the country in which they can buy it most cheaply for various reasons? Say, for example, that they had bought up a lot from a given country and say they could buy a crop in 1962 cheaply in one country, would there not be a tendency for them to spread that around the world in international markets more than to have a steady purchase in any given country?

Mr. STANTON: I think the larger companies want to have a steady source of supply in the main supplying countries, but apart from that steady annual supply, of course, they purchase for export as well, and it might be for that portion that they might be able to bargain or move more freely from country to country.

Mr. HORNER (*Acadia*): The Imperial Tobacco Company purchased about 80 per cent of the Canadian crop. Do they also export about 80 per cent?

Mr. STANTON: No one could tell you that.

Mr. HORNER (*Acadia*): You do not know who does the exporting?

Mr. STANTON: No one does.

Mr. HORNER (*Acadia*): Why not? How can you help to promote a project if you do not know what I am selling?

Mr. STANTON: We know that the Imperial Tobacco Company and other companies do a great deal of exporting, but no one can tell you the amount, the value or the percentage.

Mr. HORNER (*Acadia*): How does the Dominion Bureau of Statistics find out the figures?

Mr. STANTON: The Dominion Bureau of Statistics receives the B-13 forms and they contain the company name, but the information is never disclosed.

Mr. HORNER (*Acadia*): They do not disclose it?

Mr. STANTON: No.

Mr. HORNER (*Acadia*): Then one can only assume that if Imperial Tobacco Company buys 80 per cent, they export 80 per cent. They are an international company—

Mr. STANTON: Yes.

Mr. HORNER (*Acadia*): —operating in other countries. Are they a large company?

Mr. STANTON: Very large.

Mr. HORNER (*Acadia*): And make large purchases in the United States and so on?

Mr. STANTON: Yes.

Mr. HORNER (*Acadia*): Have they any tie-up or do you know the composition of the makeup of that company? Have they any tie-up with, say, Turkish leaf tobacco?

Mr. STANTON: If I may be allowed to say so, I would not like to get into the tie-ins of these companies because it is a matter of private business.

Mr. HORNER (*Acadia*): I know a little about, say, the oil industry and I know that this operates on an international market. The aluminum industry is another industry that operates on an international market; and there are several others. This has a direct bearing on the exports. It has a direct bearing upon how they will manipulate the exports from one country in one year to another in another year. I am trying to see if there is not a tie-up in this regard. Has the Imperial Tobacco Company any tie-up with some of the major companies in southern Rhodesia, for example?

Mr. STANTON: Yes, the largest companies in Canada have associated companies or tie-ups with supplying or buying companies in Rhodesia, the United States and other countries.

Mr. HORNER (*Acadia*): Then one can assume, supposing we lost some of our markets to Rhodesia, that the tobacco companies made more money on their tobacco purchases in Rhodesia than they did in Canada. Am I right?

Mr. STANTON: This might be the situation.

Mr. HORNER (*Acadia*): This would be a reasonable assumption?

Mr. STANTON: It is a reasonable assumption.

Mr. HORNER (*Acadia*): It is a reasonable assumption that the Imperial Tobacco Company or its affiliates made more money in Rhodesia than they did in Canada and, therefore, they switched their sales to Great Britain from this country to that country. I would think it would be a logical thing to accept, anyway. What can the Department of Trade and Commerce do, in your opinion, through trade fairs or anything else to counteract that situation?

Mr. STANTON: Firstly, better tobacco should be produced. I think this would be one reason why we do require more research. Also we require increased efforts to assist those responsible in growing better quality and newer varieties of tobacco. I think many of the varieties of tobacco that are being produced today are far different from those produced some years ago. Improved quality must come about as a result of development in agricultural research.

Mr. HORNER (*Acadia*): Do the same buyers buy at tobacco auctions in Rhodesia, say, as in Canada?

Mr. STANTON: I do not think they are the same persons; there are companies that are the same. I think the actual buyers are different persons.

Mr. HORNER (*Acadia*): I have one other question. What is the tariff on tobacco entering Great Britain? You said it was 28 per cent going into the common market.

Mr. STANTON: It is £3 15s. per pound for the preferred tariff rate—and £3 17s. 4d. for the general rate. It is a very high tariff. We have the advantage—or the commonwealth countries have the advantage—of, about 20 cents per pound I would say offhand.

The CHAIRMAN: The advantage?

Mr. STANTON: The advantage.

Mr. HORNER (*Acadia*): What is the percentage of Canada's tariff on Canadian tobacco entering Great Britain? Give us an idea of the percentage. You read out something to do with pounds, shillings and pence which I did not understand. Is it five or ten per cent?

Mr. STANTON: I would say about 5 per cent.

Mr. HORNER (*Acadia*): Then in regard to the tobacco industry, if the United Kingdom had joined the common market, or if it still does join the common market, the tobacco industry in Canada would pay the common market tariff?

Mr. STANTON: Possibly.

Mr. HORNER (*Acadia*): I noted an over-all tendency to the effect that some of the exports in the United States, Rhodesia and Canada have been down slightly in 1963, relatively speaking. Has there been a noticeable shrinkage in the tobacco market in the world?

Mr. STANTON: No, I would say the total consumption of tobacco is on the increase. Of course, that is because of the population increase.

Mr. HORNER (*Acadia*): Yes, this is what I thought was happening.

Mr. STANTON: There has been some drop in the more developed countries due to medical research reports.

Mr. DOUCETT: Our export has been less in 1963 than in 1961 and 1962 although there has been an increase in tobacco used. Is that correct?

Mr. STANTON: That is correct.

Mr. HORNER (*Acadia*): I have just a couple more questions, Mr. Chairman. I noticed in 1960, for example, that we exported a great deal of tobacco to the United States. In 1961 we are down and in 1962 we are back up again, and then in 1963 we are back down again. There is a difference in those four years of a million pounds. This sounds like a sharp up and down in the United States. Is there any particular reason for this?

Mr. STANTON: I believe the tobacco that is exported to the United States consists of a lot of odd grades and leftovers, if you will. I think this is purchased at the best price in any year;

Mr. HORNER (*Acadia*): A fire sale—a bunch of United States interests coming in and buying it in bulk?

Mr. STANTON: Yes.

Mr. HORNER (*Acadia*): Can you give us any idea of the tobacco entering the United States from Canada?

Mr. STANTON: This will all be provided to the committee in the information we have promised.

Mr. HORNER (*Acadia*): There is just one other thing I would like to say, Mr. Chairman, before I am through.

A great deal of information will be appended to today's committee proceedings with regard to tariffs, cost and work done by trade fairs and other fairs and expositions. I wonder if the record will be printed and brought out in time for it to be studied by any members who wish to study it before making recommendations in the meeting scheduled for next week.

The CHAIRMAN: I think you are quite right, Mr. Horner, to raise this. I have just spoken to Mr. Levesque about it. He expects that last week's evidence will be available by next Tuesday, but obviously this week's evidence will not. This week's evidence will not be ready by next Tuesday. It was our thinking that we might have a preliminary discussion on this next Tuesday, but it will not be a final meeting by any means. It is a meeting that will give the steering committee preliminary opinions so that the report may then be drafted in rough form. We will have to come back to the committee as soon as the draft report is ready, and by that time the proceedings of today will be ready.

Mr. DOUCETT: I was wondering if there was anything you could suggest to recapture the market we had in 1961 and 1962. I think you said the consumption of tobacco is high but still our exports are low. Is it a matter of quality, or what?

Mr. STANTON: It would have to be a matter of quality and price. These sound like old clichés, but when one gets down to the final situation it is quality and price that concludes sales, as well as continuity of supply.

Mr. DOUCETT: The efficiency and effort of the Department of Trade and Commerce with regard to sales is at a high level, is it?

Mr. STANTON: Yes, I believe it is. We can only do so much to bring about sales. When you are speaking of an existing market, such as the United Kingdom, there is less that we can do in the way of promotion to develop that long standing market. They know our tobacco, and the same companies have been dealing in it for many years.

Mr. DOUCETT: West Germany has dropped down considerably in the last year, and Holland, Australia, Jamaica and the United States. We have lost out in our export to those countries as well as many others.

Mr. STANTON: That was comparing 1963 with 1962. If you look at the 1964 figures you will see that we have already exported in the first five months of 1964—

Mr. DOUCETT: But 1964 is not yet finished.

Mr. STANTON: No, but we have exported more in the first five months of 1964 than we exported in the whole year of 1963.

Mr. DOUCETT: That is a good sign. However, our exports in 1961 were also higher than in 1963.

Mr. STANTON: Yes, but going back to earlier years—I do not know whether it was 1959 or 1960—we had an export of close to 50 million pounds.

Mr. DOUCETT: Let us follow that through. You say in 1959 it was up to 50 million pounds?

Mr. STANTON: No, it was 1955.

Mr. DOUCETT: What about 1956, 1957 and 1958? Have we those figures, and the figure for 1959?

Mr. STANTON: That was the peak.

Mr. DOUCETT: Which was the peak?

Mr. STANTON: 1955.

Mr. DOUCETT: How did it go after that? Have you the figures there? Would you give us the figures for 1955, 1956, 1957, 1958 and 1959?

Mr. STANTON: We can provide those.

Mr. DOUCETT: Do you not have them here?

Mr. STANTON: No, they are not handy.

Mr. DOUCETT: I would be quite interested to have them.

The CHAIRMAN: They will be provided and will form part of the proceedings of today's meeting. Is that agreed?

Agreed.

Mr. WHELAN: May we have those right up to the present day from 1955?

The CHAIRMAN: Yes, including the figures up to date in 1964.

Mr. STANTON: Yes.

Mr. ROXBURGH: Mr. Stanton, you have been on a number of trade missions recently to several countries in the world. How do you personally feel about the development of future markets for Canadian flue cured tobacco? In other

words, are we just thinking they are going to develop, whereas in fact they are not? What is your honest opinion of the future markets in Europe where you have travelled?

Mr. STANTON: In view of the total consumption of tobaccos of the types we grow being on the increase, in view of the developing usage in what we would call new markets for types of tobacco that we grow—it is my own personal feeling that prospects are good. As result of some of our trade missions there is a good possibility for still further increased exports of Canadian flue cured and burley tobacco.

Mr. ROXBURGH: In other words, it can be developed.

Outside the trade mission do you or do you not think that more promotional sales work should be done?

Mr. STANTON: Yes.

Mr. ROXBURGH: By more promotional sales work you mean the markets are there if they are gone after; is that it?

Mr. STANTON: That is right. We believe that we can help to promote and sell Canadian tobacco as an initial effort, but it must be followed up by industry.

Mr. ROXBURGH: That is what I am getting at. That has not been done to any marked degree?

Mr. STANTON: I would say there could be more done by the tobacco industry.

Mr. ROXBURGH: Which might be part of the reason for us having lost some of our markets?

Mr. STANTON: It might be. As an example, in some of the countries that we visited we found they had never been approached previously by anyone trying to market Canadian tobacco.

Mr. ROXBURGH: Once these countries are approached and a sale of a certain quality of tobacco is brought about and used in the manufacture of cigarettes, once the people acquire a taste for that blend it should, provided prices are right and so on, automatically increase the consumption in that country if it is looked after by the industry itself.

Mr. STANTON: Yes. Once a tobacco has been introduced into a blend by a manufacturer, he is very hesitant about making any change. That is the advantage of getting deeply into a new market. It is like our efforts on behalf of Canadian purebred livestock; we are really selling capital goods with continuing possibilities for additional sales in the case of livestock. Once you get your breed introduced, and accepted, you are sure of additional and follow-up sales. It is somewhat the same in the case of tobacco. Once you have your tobacco introduced into the blend, the manufacturer will continue for some time at least to buy from the same source.

Mr. ROXBURGH: Provided we have the contacts by or through the industry to keep the product which we are selling in front of the people, and making sure we have a continuation of contacts. That is very essential, is it not?

Mr. STANTON: It is.

Mr. ROXBURGH: That has not been done to any great degree by our industry up to the present time, has it?

Mr. STANTON: It is extremely important, yes.

Mr. ROXBURGH: There is another matter which was brought up by Mr. Watson. The growth of the tobacco itself, the quality—no matter what happens—may not be as good this year as it was some years ago. For example, this past year there has been quite a proportion of green in the tobacco. That might have something to do with the export. It was brought up again by

Mr. Horner, I believe. That might have something to do with tobacco being bought from one country in one year and from another country in another year. I am not upholding the industry, but the quality of tobacco within a country has something to do with it at the time. I just want to point that out.

In producing tobacco in Canada, how do we stand, shall we say, in our agricultural methods and our machinery? How do we stand in the world with regard to the production of the tobacco and methods? Are they behind or ahead?

Mr. STANTON: I believe the productivity of Canadian tobacco is looked upon as being high, but there are new developments taking place all the time. Particularly, there is new agricultural research into varieties of tobacco, and if we do not keep up with that, our competitors certainly will. I think this is the field which probably requires more attention, and continuing effort, than anything else.

Mr. ROXBURGH: Thank you very much.

Mr. CLANCY: Some of the questions I wanted to ask have already been answered, Mr. Chairman. However, I would like to ask how many firms are engaged in producing the finished product.

Mr. STANTON: In Canada?

Mr. CLANCY: How many firms in Canada are producing tobacco—95 cent cigars, cigarettes, chewing tobacco and any other kind of tobacco? Can you give me the figures?

Mr. STANTON: There are about a half dozen cigarette manufacturers.

Mr. CLANCY: They produce tobacco products?

Mr. STANTON: In addition to the cigarette manufacturers there would be the cigar manufacturers and pipe tobacco manufacturers.

Mr. CLANCY: How much of the Canadian production do they pick up now? What percentage of the crop?

Mr. STANTON: Of the cigarette tobacco?

Mr. CLANCY: All tobacco.

Mr. STANTON: About three quarters.

Mr. CLANCY: About three quarters? Seventy five per cent?

Mr. STANTON: Yes.

Mr. CLANCY: We have a growers' control in this country. In other words, Imperial Tobacco Company will not buy tobacco from me in Saskatchewan because I have not a licence and have not an acreage permit.

Mr. STANTON: No, you are speaking of Ontario. In Ontario it is controlled by provincial government legislation, that is, the acreage and marketing

Mr. CLANCY: I agree with that; I know that. However, I am just asking what we are spending all this time on. We have a producers' control and we have a marketing control. So what? What are you going to do? You are going to export what? Imperial Tobacco Company is going to buy on the world market—and so would I and so would you if you were in that business. Do the Ontario tobacco growers want another subsidy?

Mr. ROXBURGH: They do not get a subsidy.

Mr. CLANCY: They have a controlled price. This is the basic reason that this committee is sitting right now.

Mr. STANTON: There is a potential for much greater production of tobacco in Canada, and the only place in which you can sell more Canadian tobacco is in the export market.

Mr. CLANCY: Fine. That is all I wanted to know. So you take your chance; when you grow tobacco for export, you are gambling on the world market just the same as when you are growing wheat. You take what you can get.

Mr. PIGEON: They take a chance, too, in the fall with hay. The growers take a chance.

(Translation)

The CHAIRMAN: Mr. Choquette.

Mr. CHOQUETTE: Will you allow me to put my questions to you in French, Mr. Stanton?

In order to respect a very high principle, that of bilingualism, and I am encouraging my friend Mr. Pigeon to do the same.

Mr. PIGEON: That is what I am doing too.

Mr. CHOQUETTE: Could you tell us, if you can, sir—can you hear me? Do you expect 1964 to be a record year for exports?

(Text)

Mr. STANTON: Whether it will be a record year or not it is hard to say, but according to the months for which statistics are available it seems that it is heading in that direction. Canada has exported more tobacco in the first five months of 1964 than in the total twelve month period of 1963.

(Translation)

Mr. CHOQUETTE: Do exports take place regularly or is there a certain time of year when they are much greater, in general?

(Text)

Mr. STANTON: Yes, exports take place mainly from late autumn to late spring or early summer. That is the peak period. It is from the time the auctions open, of course, until the early summer.

(Translation)

Mr. CHOQUETTE: Just for your information I also have two short questions. To what part of the United States, our American neighbours, do most of our exports go?

Mr. PIGEON: That is in the States.

Mr. CHOQUETTE: Yes. Do they go to Virginia or Carolina? That is something we should know. If the honourable member knew his geography he would know that in Virginia the plantations are—

Mr. PIGEON: It is a difficult question.

Mr. CHOQUETTE: Is there an area of the United States where our exports are more highly concentrated?

Mr. PIGEON: Everyone is anti—

Mr. CHOQUETTE: They get along perfectly well there.

(Text)

The CHAIRMAN: Order, please. Let the witness answer.

Mr. STANTON: I am afraid I cannot answer that question, Mr. Chairman. There is no indication given to us, or there has been no evidence, which would show us to which part of the United States it is shipped.

(Translation)

Mr. CHOQUETTE: There must be some statistics in that connection?

(Text)

Mr. STANTON: There are statistics which show that the exports went to the United States, but not to which state in the United States.

(Translation)

Mr. CHOQUETTE: One last question. I see that a lot of exports go to the West Indies, to Barbados and to Jamaica. Would it be possible to find outlets in other countries of the West Indies such as Cuba, for example, the Dominican Republic or Haiti? I mention these countries for the benefit of the member for Joliette who may not know his geography. They are countries in the West Indies, Haiti, the Dominican Republic and—

(Text)

Mr. STANTON: Yes, there are possibilities of exporting tobacco to these areas. They are small markets. There are few tobacco manufacturers in these countries. Any increased Canadian exports would have to be at the expense of other suppliers, particularly the United States, and Rhodesia.

Mr. CHOQUETTE: Would there be any possibility with Cuba?

(Translation)

Mr. PIGEON: I have a supplementary question.

Mr. CHOQUETTE: Would it be possible to find an outlet in Cuba as the United States cannot be exporting much there?

(Text)

Mr. STANTON: Cuba produces a great deal of tobacco herself, including cigarette tobacco. In view of her balance of payments difficulties, I would not think the opportunities appear very bright.

(Translation)

Mr. CHOQUETTE: It will not be long. Thank you.

Mr. PIGEON: I have a supplementary question Mr. Chairman. I see here in the statistics on cigarette tobacco exports for 1960 that Mr. Frank Jones, of Joliette, a large manufacturer, exported approximately 500,000 pounds of cigarette tobacco to Haiti. And I notice that in your statistics here the name of that country, Haiti, does not appear. Yet quite a large sale of 500,000 pounds took place.

Mr. CHOQUETTE: Was it on the black market?

Mr. PIGEON: I wonder whether there might be an omission here.

(Text)

Mr. STANTON: It depends upon when the export was made, Mr. Pigeon. If it was shipped from Canada in late December it might arrive in Haiti in the new year. It depends upon the date it was made but also it depends upon how it was sold. It might have been sold through an American broker or it might have been sold to a middleman for re-sale.

Mr. PIGEON: Oh, yes, that is the case.

Mr. NOBLE: Part of this has been answered, but in this report it is stated that 15 countries bought less in 1963 than their peak purchases formerly to the extent of almost 27 million pounds, and I see that 11 countries maintained their status quo. Then in 1964, in the first five months, sales were increased by over nine million pounds over the first five months of 1963. There is some good reason for this sudden apparent recovery in the export sales. Was there some extra effort put into bringing these sales back, or what happened? Did the

tobacco board see the thing slipping and put a little pressure on the Department of Trade and Commerce and say, "Let's get out and do something"? Or what happened? This is something that is interesting to me.

Mr. STANTON: I think that in the case of the 1962 crop, which was exported in 1963, quality had an important bearing on the amount of tobacco moved for export. Apart from that, it would depend on the sales in Rhodesia, it depends on the inventory of these large tobacco companies. However, the United Kingdom is the principal market for Canadian tobacco, and the United Kingdom obviously bought less tobacco.

Mr. NOBLE: I did not know the United Kingdom bought three million pounds, but with the tremendous drop in the big sale—we gained nine million pounds in five months in 1964—it seems a terrific change in a short time.

Mr. Chairman, I would just like to ask one more question. Are figures available in relation to consumption in Canada to indicate what reduction has taken place in the sale of tobacco in Canada?

Mr. STANTON: These figures by the dominion bureau of statistics are not up to date. You want to know what has been the consumption of tobacco?

Mr. NOBLE: Could we have this information and have it included in the minutes of this meeting?

The CHAIRMAN: It is agreed.

Mr. KELLY: I would like to ask a couple of questions. Mr. Stanton, you said earlier that Great Britain did not want to handle tobacco that had been sprayed with MH-30. Do you know why? Do you know the reason for this?

Mr. STANTON: My understanding is that this spray reduces the filler quality of tobacco. In other words, it does not fill a cigarette as well. The manufacturer has to use more tobacco.

Mr. KELLY: It lessens the content of nicotine and the tar content in tobacco, which are the two causing factors, according to the doctors, in so far as cancer is concerned. I thought this might be used by the tobacco companies in selling their tobacco. That is why I wondered whether it would have an effect on smoking, and whether it would change the taste of tobacco? Is that the reason?

Mr. STANTON: You are getting into a technical field.

Mr. KELLY: It has been mentioned earlier that the MH-30 spray had an effect on the selling of tobacco in 1962, I believe. I do not know whether that would really have anything to do with the shortage of export tobacco. I was wondering why Britain did not want the MH-30 tobacco. You say it is because of the filler or content.

Mr. STANTON: I know they felt very strongly on that point. They make it regularly known to our office in London—that they would prefer to purchase non-sprayed tobacco.

Mr. KELLY: Do the growers in the United States use MH-30 on their tobacco?

Mr. STANTON: Some do.

Mr. KELLY: Are there any other countries throughout the world which say that they do not want tobacco sprayed with MH-30?

Mr. STANTON: There are other countries as well, and for the same reason, that it does not provide proper filler.

(Translation)

Mr. PIGEON: One last question. Pipe tobacco. How much did Canada import last year, and what was the value?

(Text)

Mr. STANTON: Mr. Chairman, the d.b.s. does not provide separate figures for pipe tobacco. They provide figures on cigar leaf, but not separately for pipe tobacco.

Mr. PIGEON: Is it possible to ask for these figures and to append them to our minutes?

The CHAIRMAN: Are figures available on pipe tobacco? If they are available, we will make them available to you.

Mr. PIGEON: In my riding I have around 500 pipe tobacco growers. It is important in the economy of that part of the country.

The CHAIRMAN: If this information is available, it will be appended to the proceedings.

Mr. STANTON: Mr. Chairman, may we clear up one point on these figures? Do you require figures on manufactured pipe tobacco or on the tobacco that is imported for manufacture?

Mr. PIGEON: Both.

Mr. CHOQUETTE: As many statistics as you can get.

The CHAIRMAN: Are there any further questions, or is the committee prepared to adjourn?

Mr. BROWN: I must apologize for not having seen Mr. Stanton's presentation, but I have one question to ask him. I was looking over these figures and I see that we have little if any export of tobacco to France.

Mr. STANTON: Yes. The tobacco industry in France is controlled by a monopoly, as it is in many other countries. France has purchased some United States tobacco in the past, but it is their plan and intention to develop Morocco as a main source of supply. For this reason there is difficulty in selling Canadian tobacco to France.

Mr. BROWN: Have there been negotiations with the French government at all?

Mr. STANTON: Yes, we have had discussions with the monopoly in France. We actually visited the monopoly last year. Our trade commissioner in Paris is in touch regularly with the monopoly in the hope that they may change their purchasing policy.

Mr. BROWN: The reason I ask this question, Mr. Stanton, is that I was there last year and I asked a question about this of, of all people, General DeGaulle. I just brought it up in our conversation with him, and he said, "Mr. Brown, you work on that. We should get tobacco from Canada", whatever that means.

Mr. STANTON: Did you have your samples with you?

Mr. BROWN: No.

The CHAIRMAN: Are there any other questions?

(Translation)

Mr. CHOQUETTE: Mr. Chairman, one last question. The member for Joliette has started to make us laugh. In 1955 a thousand pounds of tobacco were exported to the Bahamas and I do not think any more has been exported since that time, so would it be possible to correct that situation?

(Text)

Mr. STANTON: There is no record of any export of tobacco other than that small quantity in 1955. There might not be a manufacturer in the Bahamas.

(Translation)

Mr. CHOQUETTE: It is very useful to go to Nassau; I liked it there last year. They are getting their supplies from the United States?

(Text)

Mr. STANTON: They would get their requirements from the United States or Rhodesia. Judging from the size of the market, they probably import as many cigarettes as they make. I really do not know whether they have a manufacturer on the island.

Mr. DANFORTH: I would like to ask the witness, Mr. Stanton, a question: Is it not a fact that the total sales of the Department of Trade and Commerce are for leaf tobacco and not manufactured tobacco?

Mr. STANTON: That is correct.

Mr. DANFORTH: In other words, this sale of tobacco from Canada takes two forms, the sale of the leaf tobacco promoted by the Department of Trade and Commerce and the sale of the manufactured tobacco which would be strictly promoted by tobacco companies themselves?

Mr. STANTON: Generally this has been the case.

The CHAIRMAN: Is the committee prepared to adjourn?

Thank you, gentlemen, I know you would like me to thank Mr. Stanton and Mr. Beaudette. We will see you on Tuesday morning when we will get to work on the report. The meeting is adjourned.

APPENDIX (1)

(Supplied by the Department of Trade and Commerce)

CANADA — FLUE CURED TOBACCO EXPORTS

	1960		1961		1962		1963	
	'000 lbs.	\$000	'000 lbs.	\$000	'000 lbs.	\$000	'000 lbs.	\$000
TOTAL.....	3,473.5	23,889.3	37,383.9	27,237.9	46,803.8	33,563.5	35,592.0	27,519.6
U.K.....	28,569.0	20,744.0	33,632.3	24,839.3	34,467.1	26,033.1	27,813.6	23,281.5
Ireland.....	11.1	3.6	47.8	25.8	58.6	38.5	77.6	49.7
Malta.....	—	—	—	—	—	—	0.8	0.6
Austria.....	—	—	—	—	—	—	0.9	0.5
Belgium.....	337.2	108.4	412.7	138.8	574.8	196.3	774.8	246.9
Denmark.....	53.9	37.6	242.9	164.0	77.4	54.2	572.4	363.1
Finland.....	19.8	11.2	33.3	18.3	151.4	65.6	52.6	32.5
W. Germany.....	1,176.3	678.5	553.7	294.2	5,375.1	3,235.8	2,498.9	1,275.6
Holland.....	54.8	31.0	26.1	4.2	1,124.0	483.6	742.3	319.8
Norway.....	—	—	0.1	0.1	148.7	102.4	345.3	236.5
Portugal.....	39.2	12.2	72.3	22.6	48.3	17.1	121.6	76.3
Sweden.....	—	—	—	—	89.8	43.3	375.4	235.1
Switzerland.....	29.7	5.2	—	—	34.2	14.3	10.8	9.2
Cyprus.....	—	—	—	—	—	—	35.1	30.9
Bahrein.....	3.3	0.3	—	—	—	—	—	—
Pakistan.....	—	—	—	—	18.0	13.3	—	—
Hong Kong.....	—	—	—	—	166.9	36.9	380.6	81.8
Malaya.....	3.8	0.8	10.5	2.3	34.2	20.6	143.3	86.8
Australia.....	79.6	56.0	628.7	594.5	972.9	977.6	492.9	479.3
Sierra Leone.....	—	—	—	—	—	—	74.2	53.0
Chile.....	—	—	0.8	0.5	—	—	—	—
US Oceania.....	—	—	—	—	18.9	4.9	—	—
Port Asia.....	—	—	—	—	—	—	1.8	0.4
Brit. Guiana.....	451.4	256.9	14.4	8.5	144.1	85.4	86.6	52.0
Brit. Honduras.....	9.1	4.4	—	—	9.0	3.8	9.0	3.3
Surinam.....	22.5	15.3	—	—	—	—	—	—
Barbados.....	180.0	123.6	83.7	58.1	120.2	87.7	90.5	67.4
Jamaica.....	932.4	617.0	597.3	425.9	686.9	486.7	429.6	306.8
Leew. Windward.....	10.8	8.2	2.7	2.0	5.6	4.2	2.7	2.1
Trinidad.....	1,117.9	741.0	688.7	509.3	988.7	701.0	36.0	25.6
U.S.A.....	1,371.6	433.8	335.9	125.9	1,489.1	857.2	422.7	202.9

CANADA — BURLEY EXPORTS

	1960		1961		1962		1963	
	'000 lbs.	\$000	'000 lbs.	\$000	'000 lbs.	\$000	'000 lbs.	\$000
TOTAL.....	2,116.2	1,154.5	521.6	306.4	1,469.5	943.5	2,263.1	1,338.6
U.K.....	1,484.2	815.0	109.5	60.2	849.4	565.7	794.3	505.7
Belgium.....	—	—	—	—	5.0	3.0	8.7	5.3
Denmark.....	125.3	69.0	21.3	9.1	50.4	38.7	—	—
W. Germany.....	—	—	67.9	38.8	1.6	1.0	1,318.5	745.7
Holland.....	239.1	134.0	—	—	232.0	137.6	5.3	3.4
Norway.....	58.9	34.0	150.2	97.3	104.6	71.7	91.5	54.1
Portugal.....	189.9	92.5	115.8	60.2	213.7	116.4	—	—
Sweden.....	—	—	—	—	4.8	4.1	—	—
Hong Kong.....	—	—	51.5	20.9	—	—	—	—
Mozambique.....	4.7	3.1	—	—	—	—	—	—
Port. Afr. Nes.....	—	—	2.7	1.7	6.4	4.1	—	—
U.S.A.....	14.1	6.8	2.7	1.7	1.6	1.2	—	—

CANADA — TOBACCO UNMANUFACTURED NES — EXPORTS

	1960		1961		1962		1963	
	'000 lbs.	\$000	'000 lbs.	\$000	'000 lbs.	\$000	'000 lbs.	\$000
TOTAL.....	609.8	312.8	162.0	73.2	350.8	116.9	1,454.2	249.2
U.K.....	315.6	237.5	30.2	16.1	103.3	29.9	907.3	61.0
Ireland.....	8.6	2.4	—	—	—	—	—	—
Belgium.....	—	—	—	—	—	—	3.9	1.5
Denmark.....	5.8	2.6	2.2	1.0	8.3	3.0	—	—
France.....	—	—	1.0	0.6	—	—	—	—
W. Germany.....	2.4	1.8	0.1	0.1	—	—	—	—
Holland.....	—	—	13.0	1.6	—	—	278.3	44.7
Norway.....	—	—	—	—	0.2	0.1	—	—
Sweden.....	29.7	1.2	—	—	—	—	—	—
Australia.....	24.2	40.3	22.9	38.1	13.2	22.0	141.2	112.3
Leeward-Windward....	1.4	0.7	1.1	0.5	0.5	0.2	—	—
Trinidad.....	13.6	0.7	—	—	—	—	—	—
U.S.A.....	211.0	27.4	89.2	13.4	225.2	61.7	123.5	29.7

The following table shows the highest amount Canada has exported to any country since 1955 as compared to 1963 exports.

Destination	Quantity in lbs (dry wgt)	Year	1963 Quantity
Great Britain.....	37,775,594	1955	27,813,600
Brit. Honduras.....	9,143	1960	9,002
Brit. Guiana.....	473,042	1959	86,632
Barbados.....	306,000	1957	90,450
Jamaica.....	1,549,800	1958	429,600
Trinidad.....	1,500,800	1959	36,000
Leeward-Wind. Is.....	14,270	1955	2,698
Bahamas.....	1,000	1955	—
Australia.....	8,000,206	1955	429,898
New Zealand.....	78,502	1959	—
Hong Kong.....	380,594	1963	380,594
Malaysia.....	143,272	1963	143,272
Bahrein.....	3,272	1960	—
Malta.....	834	1963	834
Cyprus.....	35,100	1963	35,100
Sierra Leone.....	74,250	1963	74,250
Pakistan.....	17,984	1962	—
Austria.....	1,110,358	1959	934
Belgium-Lux.....	774,775	1963	774,775
Denmark.....	572,395	1963	572,395
Finland.....	151,399	1962	52,634
W. Germany.....	5,375,070	1962	2,498,935
Holland.....	1,321,786	1957	742,292
Ireland.....	77,587	1963	77,587
Norway.....	345,266	1963	345,266
Portugal.....	327,275	1957	121,597
Sweden.....	375,410	1963	375,410
Switzerland.....	34,233	1962	10,800
Panama.....	17,978	1959	—
Chile.....	770	1961	—
Uruguay.....	12,273	1957	—
Surinam.....	22,500	1960	—
Port. Asia.....	1,819	1963	1,819
Port. Africa.....	36,100	1959	—
US Oceania.....	18,919	1962	—
U.S.A.....	1,489,051	1962	422,674
TOTALS.....	62,428,627		35,592,048

NOTE: In the period January to May, 1964, shipments of flue-cured tobacco from Canada totalled 36,063,966 lbs, compared with 27,041,718 lbs during the same 5 months of 1963. This increase was due mainly to larger shipments to the U.K. (by 3.2 million lbs). Belgium, Denmark, Holland & Malaysia, as well as substantial shipments to new customers including 2.7 million to the USSR, 1 million lbs to Czechoslovakia, 0.8 million to Japan.

FLUE-CURED TOBACCO EXPORTS — ('000 Lbs, Processed Weight)

	USA			RHODESIAS			INDIA			CANADA		
	1961	1962	1963	1961	1962	1963	1961	1962	1963	1961	1962	1963
Great Britain.....	146,351	90,040	126,301	95,249	80,766	92,787	44,397	37,538	37,391	33,632	34,467	27,814
Australia.....	11,538	21,551	17,151	8,354	4,129	3,667	—	—	—	629	—	27,403
New Zealand.....	5,724	4,387	2,878	1,039	1,062	945	—	—	—	—	—	—
Sierra Leone.....	(a)	(a)	(a)	—	248	317	(a)	(a)	(a)	—	—	74
Nigeria.....	664	763	926	787	272	302	—	—	—	—	—	—
Ghana.....	680	82	17	211	111	330	1,130	250	435	—	167	381
Hong Kong.....	5,813	5,093	6,300	5,312	6,409	7,454	785	1,654	1,415	10	34	143
Malaysia.....	5,786	6,382	4,785	5,218	6,505	7,663	2,772	2,010	3,390	689	989	36
Trinidad.....	314	369	261	1,096(b)	441	609	—	—	—	587	687	430
Jamaica.....	428	556	906	441	358	530	126	117	—	507	144	87
British Guiana.....	179	89	49	441	250	226	—	—	88	14	144	14
Cyprus.....	—	213	825	135	114	170	—	—	—	—	—	35
Ireland.....	13,455	21,197	13,771	105	194	129	—	—	77	—	59	77
West Germany.....	64,015	65,806	73,491	23,724	25,553	23,130	—	—	—	554	—	—
Holland.....	14,833	19,190	21,469	11,929	12,250	9,843	1,965	2,838	2,851	26	5,375	2,499
Italy.....	6,666	14,628	6,559	—	10,499	3,654	—	—	—	—	1,124	742
Belgium.....	14,272	12,316	12,722	6,367	8,297	3,121	3,154	2,613	3,132	413	—	—
France.....	1,411	1,750	1,377	1,118	1,447	3,563	3,116	2,983	2,241	—	575	775
Denmark.....	12,010	10,615	10,020	2,514	3,019	2,099	—	1,023	—	243	—	—
Austria.....	—	5,507	2,347	—	2,607	1,553	—	1,023	—	—	—	—
Switzerland.....	3,710	2,768	3,720	1,136	1,443	892	—	122	—	—	—	—
Norway.....	4,502	5,589	4,421	1,412	1,078	1,005	31	—	—	—	34	11
Sweden.....	10,809	7,402	7,479	1,027	1,076	1,171	234	223	562	—	149	345
Portugal.....	2,387	4,139	4,403	299	698	548	—	—	—	72	90	375
Finland.....	6,794	6,638	7,103	521	1,253	555	—	—	—	53	48	122
East Germany.....	—	—	120	—	—	987	—	—	—	—	151	53
Soviet Union.....	—	—	—	—	—	—	—	—	—	—	—	—
Yugoslavia.....	316	—	2,485	—	2,945	—	—	—	—	—	—	—
Hungary.....	—	—	—	—	—	—	7,220	7,684	4,154	—	—	—
Czechoslovakia.....	305	—	—	—	—	—	—	34,771	23,930	—	—	—
Egypt.....	1,312	10,216	11,767	—	570	—	—	1,671	8,622	—	—	—
Taiwan.....	24,432	24,071	28,708	6,361	6,524	5,748	—	8,363	13,507	—	—	—
Taiwan.....	2,686	3,360	3,278	31	456	—	370	1,180	1,243	—	—	—
South Africa.....	291	30	4	3,060	3,199	3,217	—	200	612	—	—	—
Israel.....	263	496	531	—	—	—	85	9	414	—	—	—
Senegal (Leop).....	239	1,403	1,403	980	908	1,213	—	—	—	—	—	—
Algeria.....	240	22	—	598	311	(a)	1,052	463	442	—	—	—
Morocco.....	53	67	108	(a)	(a)	47	240	265	—	—	—	—
India.....	2,000	2,377	1,434	—	—	—	—	—	—	—	—	—
USA.....	—	—	—	109	843	203	—	—	—	336	1,489	423
Canary Islands.....	239	28	100	48	39	6	—	—	—	—	—	—
Others.....	37,924(c)	26,436(c)	29,745(c)	3,555(c)	4,379(c)	4,321(d)	2,713	3,046	2,551	88(e)	172(e)	106(e)
TOTAL.....	402,650	375,398	403,437	182,637	189,936	182,114	70,343	118,629	114,534	37,384	46,804	35,502

(a) Included in others, if any.
 (b) Includes exports to all Brit. West Indies.
 (c) Mainly South-east Asia.
 (d) Mostly to other African countries.
 (e) Mainly Barbados.

APPENDIX (2)

PART I

CANADA — IMPORTS OF TOBACCO AND TOBACCO PRODUCTS — 1960 TO 1963

	1960	1961	1962	1963
<i>Flue-cured tobacco ('000 lbs.)</i>				
TOTAL.....	545	80	—	—
from South Africa.....	545	80	—	—
<i>Turkish tobacco ('000 lbs.)</i>				
TOTAL.....	286	395	495	491
from Greece.....	35	37	62	56
Turkey.....	248	298	216	179
Rhodesia.....	—	22	116	112
Australia.....	—	—	—	18
U.S.A.....	3	37	101	126
<i>Cigar leaf ('000 lbs.)</i> —NOTE: While no statistics are available to show this, most of the imports consist of wrapper leaves, which cannot be produced in Canada. The only filler imported would be of a type used in special cigars.				
TOTAL.....	1,766	1,553	2,074	1,975
from U.S.A.....	1,183	1,123	1,160	1,181
Cuba.....	328	294	703	437
Dominican Republic.....	230	91	13	7
Porto Rico.....	0.3	8	18	5
Philippines.....	21	35	4	2
Brazil.....	—	4	13	11
South Africa.....	—	—	159	123
Holland.....	0.2	—	—	209
Rhodesia.....	—	—	5	—
Indonesia.....	4	—	—	—
W. Germany.....	—	—	2	—
Denmark.....	—	—	—	0.4
<i>Other unmanufactured tobacco ('000 lbs.)</i> —Includes various types of tobacco not produced locally, such as Kentucky fire-cured, latakia, etc.				
TOTAL.....	41	60	543	147
from U.S.A.....	14	30	498	118
Syria.....	26	30	45	29
Cuba.....	1	—	—	—
<i>Cigars (lbs.)</i>				
TOTAL.....	83,087	76,850	63,307	72,313
from U.S.A.....	28,124	22,534	15,337	17,223
Cuba.....	10,435	7,621	8,300	8,762
Holland.....	37,888	41,624	33,777	40,478
Belgium.....	200	471	732	401
Denmark.....	226	713	137	305
W. Germany.....	4,620	2,330	2,498	2,330
Switzerland.....	974	988	729	755
Brazil.....	127	—	184	118
Jamaica.....	493	440	509	626
France.....	—	69	—	—
U.S.S.R.....	—	60	—	—
Spanish Africa.....	—	—	71	322
Philippines.....	—	—	1,033	514
Austria.....	—	—	—	116
Mexico.....	—	—	—	363
<i>Cigarettes</i>				
	lbs.	lbs.	thousands	thousands
TOTAL.....	471,644	466,910	168,581	148,208
from U.S.A.....	457,739	449,155	159,409	139,262
U.K.....	9,618	10,194	4,165	2,496
France.....	4,165	7,150	4,144	6,098
W. Germany.....	54	127	—	—
U.S.S.R.....	68	65	53	—

	1960	1961	1962	1963
	<i>lbs.</i>	<i>lbs.</i>	<i>thousands</i>	<i>thousands</i>
<i>Cigarettes (cont'd)</i>				
Poland.....	—	219	—	25
Italy.....	—	—	700	280
Switzerland.....	—	—	50	—
Denmark.....	—	—	—	25
Cuba.....	—	—	—	22
<i>Other manufactured tobacco (lbs.)—NOTE: Would include mainly pipe smoking tobacco, as well as cigarette smoking tobacco, snuff, etc.</i>				
TOTAL.....	717,599	896,238	1,272,005	1,596,998
from U.S.A.....	275,527	276,961	277,523	227,639
Holland.....	322,319	489,281	849,408	1,212,220
U.K.....	118,753	128,307	140,106	135,442
France.....	100	—	—	—
Hong Kong.....	800	800	750	600
Denmark.....	—	183	2,194	21,097
Switzerland.....	—	706	2,024	—

SOURCE: Dominion Bureau of Statistics

TOBACCO TARIFFS

Non EEC

EEC

FRANCE

Raw or unmanufactured tobacco:
tobacco refuse

- | | | |
|--|--|--------|
| A) Tobacco of a value of US \$280 or more per 100 kilos net per package..... | 4.5% with maximum of 103.68 F/100 kilos net. | exempt |
| B) Other..... | 9% with minimum of 46.02 F and max. of 60.30 F/100 kilos net | exempt |

BENELUX (Belgium, Luxemburg and Holland)

Raw or unmanufactured tobacco:
tobacco refuse

- | | | |
|--|--|---|
| A) Tobacco of a value, per package, of Belg. F. 14,000 or more/100 kilos net | | |
| (I) unstripped..... | 6.6% with max. of BF 1,540 (florins 111.50) per 100 kilos net | BF 165 or florins 14.91 per 100 kilos net |
| (II) stripped..... | 7.4% with max. of BF 1,700 or florins 123.08/100 kilos net | BF 231 or florins 20.92 per 100 k. net |
| B) Other: | | |
| (I) tobacco in leaves, unstripped..... | 16% with min. of BF 724 (fl. 52.42) and max. of BF 919 (fl. 66.54)/100 kilos net | BF 165 (fl. 14.91)/100 k. net |
| (II) tobacco in leaves, partially or totally stripped..... | 23% with min. of BF 480 (fl. 60.82) and max. of BF 1,035 (fl. 74.93)/100 k. net | BF 231 or florins 20.92 /100 kilos net |
| (III) tobacco stems and refuse..... | 9% with min. of BF 435 (fl. 31.49) and max. of BF 630 (fl. 45.61)/100 kilos net | exempt |
| (a) tobacco dust destined for agriculture or horticultural use | | |
| (b) other..... | 23% with min. of BF 724 (fl. 52.42) and max. of BF 919 (fl. 66.54) per 100 kilos net | BF 165 (fl. 14.91) |

ITALY

Tobacco unmanufactured:
tobacco refuse

- | | | |
|--|--|--------|
| A) of a value per package of US \$280 or more per 100 100 kilos net..... | 4.5% with max. of \$21/100 kilos net | exempt |
| B) Other: | | |
| (I) tobacco..... | 8.4% with min. of \$8.70 and max. of \$11.40/100 kilos net | exempt |
| (II) refuse..... | same as above | |

EUROPEAN COMMON MARKET

Proposed common external tariff.
Proposed common external tariff.Unmanufactured tobacco:
tobacco refuse

- | | |
|---|----------------|
| (A) Tobacco of a value, per package of \$US280 or more per 100 kilos net..... | 15% ad valorem |
| (B) Other:..... | 28% " |

GREAT BRITAIN

Unmanufactured tobacco containing 10% or more moisture:

Preferential tariff—pounds=3 shillings 15 (approx. \$ Can. 11.46)

General " " 3 " 17 pence 4 (approx. \$ Can. 11.70)

PART III

CHAPTER 24. — *Tobacco.*

Germany. — No. 25 (9th edit.)

24.01 Unmanufactured tobacco; tobacco refuse:

A. Unmanufactured tobacco:

Non-EEC
Countries

I. Leaf tobacco, unstripped:

a. Tobacco of a value per package of 1,120 DM or more per 100 K.N.:

1. Produced in Belgium, France, Italy, Luxembourg or the Netherlands, on production of a certificate of origin

per 100 K.N. —
4.5 %

plus, per 100 K.N. 126 DM
with a maximum of,
per 100 K.N. 210 DM

maximum determination value 1,866.66 DM

2. Other.....per 100 K.N. —

plus, per 100 K.N. 126 DM
with a maximum of,
per 100 K.N. 210 DM

maximum determination value 1,866.66 DM

b. Other:

1. Produced in Belgium, France, Italy, Luxembourg, or the Netherlands, on production of a certificate of origin

per 100 K.N. —
8.4 %

plus, per 100 K.N. 126 DM
with a minimum of,
per 100 K.N. 160.80 DM

and a maximum of,
per 100 K.N. 171.60 DM

minimum determination value 414.28 DM

maximum determination value 542.85 DM

2. Other.....per 100 K.N. —

plus, per 100 K.N. 126 DM
with a minimum of,
per 100 K.N. 160.80 DM

and a maximum of,
per 100 K.N. 171.60 DM

minimum determination value 414.28 DM

maximum determination value 542.85 DM

II. Leaf tobacco, wholly or partly stripped:

a. Tobacco of a value per package of 1,120 DM or more per 100 K.N.

per 100 K.N. —
4.5 %

plus, per 100 K.N. 273 DM
with a maximum of,
per 100 K.N. 357 DM

maximum determination value 1,866.66 DM

b. Other.....per 100 K.N. —

plus, per 100 K.N. 273 DM
with a minimum of,
per 100 K.N. 307.80 DM

and a maximum of,
per 100 K.N. 318.60 DM

minimum determination value 414.28 DM

maximum determination value 542.85 DM

B. Tobacco refuse:

I. Of unmanufactured leaf tobacco:

a. Midribs and stalks.....per 100 K.N. —

plus, per 100 K.N. 12.60 DM
with a minimum of,
per 100 K.N. 47.40 DM

and a maximum of,
per 100 K.N. 58.20 DM

minimum determination value 414.28 DM

maximum determination value 542.85 DM

CHAPTER 24. — Tobacco. — (concluded)

Germany. — No. 25 (9th edit.) — (concluded)

24.01
(Ctd)

b. Other:

1. Produced in Belgium, France, Italy, Luxembourg or the Netherlands, on production of a certificate of origin

per 100 K.N.	—
	8.4 %
plus, per 100 K.N.	126 DM
with a minimum of,	
per 100 K.N.	160.80 DM
and a maximum of,	
per 100 K.N.	171.60 DM
minimum determination value	414.28 DM
maximum determination value	542.85 DM

2. Other.....per 100 K.N.

	—
	8.4 %
plus, per 100 K.N.	126 DM
with a minimum of,	
per 100 K.N.	160.80 DM
and a maximum of,	
per 100 K.N.	171.60 DM
minimum determination value	414.28 DM
maximum determination value	542.85 DM

II. Other.....per 100 K.N.

	—
	8.4 %
plus, per 100 K.N.	273 DM
with a minimum of,	
per 100 K.N.	307.80 DM
and a maximum of,	
per 100 K.N.	318.60 DM
minimum determination value	414.28 DM
maximum determination value	542.85 DM

Note. — Products falling within heading No. 24.01, for use in the manufacture of tobacco water under Customs supervision.....

	8.4 %
with a minimum of,	
per 100 K.N.	34.80 DM
and a maximum of,	
per 100 K.N.	45.60 DM
minimum determination value	414.28 DM
maximum determination value	542.85 DM

Tares for subheading A-I & B-I-b:

PART IV

SCHEDULE "A"

CANADA

Tariff Item	Goods Subject to Duty and Free Goods	British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Effective Date No. of Memo
GROUP III					
TOBACCO, AND MANUFACTURES THEREOF					
142	Tobacco, unmanufactured, for excise purposes under conditions of the Excise Act, subject to such regulations as may be prescribed by the Minister:—				
	(a) Of the type commonly known as Turkish:—				
	(i) Unstemmed.....per pound	20 cts.	40 cts.	40 cts.	2/5/36, D33-A
	GATT.....per pound	12 cts.	22 cts.		17/10/51, D48-28-23
	(ii) Stemmed.....per pound	30 cts.	60 cts.	60 cts.	2/5/36, D33-A
	GATT.....per pound		40 cts.		1/1/48, D48-28&S.1
†	(b) N.o.p.:—				
	(i) Unstemmed.....per pound	40 cts.	40 cts.	40 cts.	2/5/36, D-33-A
	GATT.....per pound		20 cts.		1/1/48, D48-28&S.1
Ex. †	(i) Unstemmed, when imported by cigar manufacturers for use exclusively in the manufacture of cigars in their own factories.....per pound		12½ cts.		30/6/56, D48-28-32
†	(ii) Stemmed.....per pound	60 cts.	60 cts.	60 cts.	2/5/36, D33-A
	GATT.....per pound		30 cts.		1/1/48, D48-28&S.1
Ex. †	(ii) Stemmed, when imported by cigar manufacturers for use exclusively in the manufacture of cigars in their own factories.....per pound		20 cts.		30/6/56, D48-28-32
	(iii) Unstemmed, when imported by cigar manufacturers for use as wrappers in the manufacture of cigars in their own factories per pound	10 cts.	10 cts.	40 cts.	1/4/60, D47-421
	The duty under this item shall be levied on the basis of "Standard leaf tobacco" consisting of ten per centum of water and ninety per centum of solid matter.				2/5/36, D33-A
	New Zealand Trade Agreement				
	Tobacco, unmanufactured, for excise purposes under conditions of the Excise Act.....Free				24/5/32, D48-45
	Union of South Africa Trade Agreement				
	British Preferential				30/6/33, D48-49

NOTE: In accordance with Article III of the Union of South Africa Trade Agreement tobacco, unmanufactured, for excise purposes under conditions of the Excise Act is entitled to entry free of Customs duty on account of the treatment accorded to importations of similar tobacco from New Zealand.

†NOTE: British countries are entitled to MFN Tariff rates of duty

*(Revised 31/X/62)

Tariff Item	Goods Subject to Duty and Free Goods	British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Effective Date No. of Memo
*142c	Converted tobacco leaf for use in the manufacture of cigar binders.....per pound (Expires 31st October, 1964.)	75 cts.	75 cts.	\$1.05	O.C. 9/7/59, D47-418,434
143	(1) Cigars, the weight of the bands and ribbons to be included in the weight for duty.....per pound and and in addition thereto, under all tariffs \$1.00 per thousand	\$1.75 15 p.c.	\$1.75 15 p.c.	\$3.50 25 p.c.	10/4/59, D47-416
	(2) Cigars, valued for duty at more than \$6.00 per pound, the weight of the bands and ribbons to be included in the weight for duty.....per pound and and in addition thereto, under all tariffs \$1.00 per thousand	\$1.50 10 p.c.	\$1.50 10 p.c.	\$3.50 25 p.c.	10/4/59, D47-416
143a	Cigarettes, the weight of the paper covering to be included in the weight for duty per pound and	\$3.50	\$4.10 25 p.c.	\$4.10 25 p.c.	26/2/37. D47-2
	GATT.....per pound and	\$2.00 15 p.c.	\$2.00 15 p.c.		1/1/48, D48-23&S.1,39
144	Cut tobacco.....per pound	80 cts.	95 cts.	95 cts.	13/10/32, 569-A
	GATT.....per pound		65 cts.		6/6/51, D48-23-17,18,39
	and in addition thereto, under all tariffs 15 cents per pound				25/6/40, D47-30
	NOTE: British countries are entitled to MFN Tariff rates of duty				
145	Manufactured tobacco, n.o.p., and snuff per pound	75 cts.	90 cts.	90 cts.	13/10/32, 569-A
	and in addition thereto (except on snuff) under all tariffs.....15 cents per pound				25/6/40, D47-30

PART V

TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1963)

SCHEDULE 1.—ANIMAL AND VEGETABLE PRODUCTS

Part 13.—Tobacco and Tobacco Products

Item	Stat. Suf- fix	Articles	Units of Quantity	Rates of Duty	
				1	2

PART 13.—TOBACCO AND TOBACCO PRODUCTS

Part 13 headnotes:

1. The term “*wrapper tobacco*”, as used in this part, means that quality of leaf tobacco which has the requisite color, texture, and burn, and is of sufficient size for cigar wrappers, and the term “*filler tobacco*” means all other leaf tobacco.

2. The percentage of wrapper tobacco in a bale, box, package, or other shipping unit is the ratio of the number of leaves of wrapper tobacco in such unit to the total number of leaves therein. In determining such percentage for classification purposes, the appraiser shall examine at least ten hands, and shall count the leaves in at least two hands, from each shipping unit designated for examination.

3. Filler tobacco and scrap tobacco, which are Philippine articles, are entitled to admission free of duty under items 170.22, 170.26, 170.31, 170.36, 170.42, 170.47, and 170.62 of this part if entered on or before December 31, 1973, but the total aggregate quantity of such tobaccos entered under these items during each calendar year shall not exceed—

(a) 5,200,000 pounds during calendar years 1963 through 1964,

(b) 3,900,000 pounds during calendar years 1965 through 1967,

(c) 2,600,000 pounds during calendar years 1968 through 1970, and

(d) 1,300,000 pounds during calendar years 1971 through 1973.

4. Cigars, which are Philippine articles, are entitled to admission free of duty under item 170.72 of this part if entered on or before December 31, 1973, but the total quantity of such cigars entered under this item during each calendar year shall not exceed—

(a) 160,000,000 cigars during calendar years 1963 through 1964,

(b) 120,000,000 cigars during calendar years 1965 through 1967,

(c) 80,000,000 cigars during calendar years 1968 through 1970, and

(d) 40,000,000 cigars during calendar years 1971 through 1973.

5. The dutiable weight of cigars and cigarettes includes the weight of all materials which are integral parts thereof.

6. Provisions for the free entry of certain samples of tobacco products are covered by part 5 of schedule 8.

Leaf tobacco, the product of two or more countries or dependencies, when mixed or packed together:

170.01	00	Not stemmed.....	Lb.	\$2.275 per lb.	\$2.275 per lb.
170.05	00	Stemmed.....	Lb.	\$2.925 per lb.	\$2.925 per lb.

(s)=Suspended. See general headnote 3(b).

(1st supp.
8/31/63)

TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1963)—(cont.)

SCHEDULE 1.—ANIMAL AND VEGETABLE PRODUCTS—(cont.)

Part 13.—Tobacco and Tobacco Products—(cont.)

Item	Stat. Suf- fix	Articles	Units of Quantity	Rates of Duty	
				1	2
		Wrapper tobacco (whether or not mixed or packed with filler tobacco):			
170.10	00	Not stemmed.....	Lb.	90.9c per lb.	\$2.275 per lb.
170.11		If product of Cuba.....		81.9c per lb. (s)	
170.15	00	Stemmed.....	Lb.	\$1.548 per lb.	\$2.925 per lb.
		Filler tobacco (whether or not mixed or packed with wrapper tobacco):			
		When mixed or packed with over 35% of wrapper tobacco:			
170.20	00	Not stemmed.....	Lb.	90.9¢ per lb.	\$2.275 per lb.
170.21		If product of Cuba.....	—	81.9¢ per lb. (s)	
		If product of the Philippines:			
		If Philippine articles:			
170.22	00	Within tariff-rate quota (see headnote 3 of this part)....	Lb.	Free	
170.23	00	Other.....	Lb.	81.9¢ per lb.	
170.24	00	Other.....	Lb.	90.9¢ per lb.	
170.25	00	Stemmed.....	Lb.	\$1.548 per lb.	\$2.925 per lb.
		If product of the Philippines:			
170.26	00	If Philippine articles within tariff-rate quota (see headnote 3 of this part).....	Lb.	Free	
170.27	00	Other.....	Lb.	\$1.548 per lb.	
		When not mixed and not packed with wrapper tobacco, or when mixed or packed with 35% or less of wrapper tobacco:			
		Cigarette leaf:			
170.30		Not stemmed.....	—	12.75¢ per lb.	35¢ per lb.
	20	Flue-cured and burley.....	Lb.		
	40	Other.....	Lb.		
		If product of the Philippines:			
170.31	00	If Philippine articles within tariff-rate quota (see headnote 3 of this part).....	Lb.	Free	
170.32	00	Other.....	Lb.	12.75¢ per lb.	
170.35	00	Stemmed.....	Lb.	50¢ per lb.	50¢ per lb.
		If product of the Philippines:			
170.36	00	If Philippine articles within tariff-rate quota (see headnote 3 of this part).....	Lb.	Free	
170.37	00	Other.....	Lb.	50¢ per lb.	
		Other, including cigar leaf:			
170.40	00	Not stemmed.....	Lb.	16.1¢ per lb.	35¢ per lb.
170.41		If product of Cuba.....	—	12.6¢ per lb. (s)	
		If product of the Philippines:			
		If Philippine articles:			
170.42	00	Within tariff-rate quota (see headnote 3 of this part).....	Lb.	Free	
170.43	00	Other.....	Lb.	12.6¢ per lb.	
170.44	00	Other.....	Lb.	16.1¢ per lb.	
170.45	00	Stemmed.....	Lb.	23¢ per lb.	50¢ per lb.
170.46		If product of Cuba.....	—	18¢ per lb. (s)	
		If product of the Philippines:			
		If Philippine articles:			
170.47	00	Within tariff-rate quota (see headnote 3 of this part).....	Lb.	Free	
170.48	00	Other.....	Lb.	18¢ per lb.	
170.49	00	Other.....	Lb.	23¢ per lb.	

(s)=Suspended. See general headnote 3(b).

TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1963)—(conc.)

SCHEDULE 1.—ANIMAL AND VEGETABLE PRODUCTS—(conc.)

Part 13.—Tobacco and Tobacco Products—(conc.)

Item	Stat. Suf- fix	Articles	Units of Quantity	Rates of Duty	
				1	2
		Tobacco stems:			
170.50	00	Not cut, not ground, and not pulverized.....	Lb.	Free	Free
170.55	00	Cut, ground, or pulverized.....	Lb.	55¢ per lb.	55¢ per lb.
170.60	00	Scrap tobacco.....	Lb.	16.1¢ per lb.	35¢ per lb.
170.61		If product of Cuba.....	—	12.6¢ per lb. (s)	
		If product of the Philippines:			
		If Philippine articles:			
170.62	00	Within tariff-rate quota (see head- note 3 of this part).....	Lb.	Free	
170.63	00	Other.....	Lb.	12.6¢ per lb.	
170.64	00	Other.....	Lb.	16.1¢ per lb.	
170.65	00	Cigarettes.....	No. ^v	\$1.06 per lb. + 5% ad val.	\$4.50 per lb. + 25% ad val.
170.70	00	Cigars and cheroots.....	No. ^v	\$1.91 per lb. + 10.5% ad val.	\$4.50 per lb. + 25% ad val.
170.71		If product of Cuba.....	—	\$1.27 per lb. + 8.5% ad val. (s)	
		If cigars the product of the Philippines:			
		If Philippine articles:			
170.72	00	Within tariff-rate quota (see headnote 4 of this part).....	No. ^v	Free	
170.73	00	Other.....	No. ^v	\$1.27 per lb. + 8.5% ad val.	
170.74	00	Other.....	No. ^v	\$1.91 per lb. + 10.5% ad val.	
170.75	00	Snuff and snuff flour, manufactured of tobacco, of all descriptions.....	Lb.	22¢ per lb.	55¢ per lb.
170.80		Tobacco, manufactured or not manufactured, not specially provided for.....	—	17.5¢ per lb.	55¢ per lb.
20		Smoking tobacco.....	Lb.		
40		Other.....	Lb.		

(s)=Suspended. See general headnote 3(b)

APPENDIX (3)

Canadian Trade Missions Programme 1963-64

Mission	Cost	Business Influenced
1. Automotive Parts Trade Mission to Europe	\$8450	Canadian firms who participated in this mission have been reluctant to provide actual sales figures.
2. Machinery Manufacturers to the United States.	\$2645	This mission has resulted in negotiations between Canadian and American firms to manufacture American goods in Canada which were previously imported.
3. Technical Mission on Furniture Manufacture to Europe.	\$8490	This mission was not directed towards sales but was designed to study the European furniture industry with the view to improving the Canadian industry.
4. Poultry Mission to Europe.	\$4265	Initial sales amounted to \$100,000; follow-up business during the current year is expected to exceed this.
5. Commercial and Institutional Equipment Mission to Europe.	\$7380	Although initial sales were small, follow-up sales are expected to reach \$50,000 this year.
6. Wooden Furniture Components Mission to the United States.	\$4425	\$1,308,500 in initial sales.
7. Tobacco Mission to Eastern and Western Europe and Israel.	\$7500	Approximate initial sales resulting from this Mission were \$2-3,000,000.
8. Technical Mission on Furniture Manufacture to the United States.	\$2800	This mission was not directed towards sales but was designed to study the American furniture industry with a view to improving the Canadian industry.
9. Steel and Steel Products Mission to Latin America.	\$3055	Tin Plate Sales of an undisclosed value.
10. Appliances and Housewares Mission to the Caribbean.	\$10,150	Initial sales amounted to \$150,000; members predict \$775,000 in new sales during current year as a result of the mission's visit.
11. Lamp and Fixture Mission to Britain.	\$ 5,260	Initial sales amounted to \$50,000; repeat orders are expected to reach \$100,000 this year.

Canadian Trade Missions Programme 1963-64.—Continued

Mission	Cost	Business Influenced
12. Electronic Products Mission to the Middle East.	\$14,475	\$202,000 to date. Approximately \$31,000,000 in business is pending the availability of financing.
13. Consulting Engineering Missions to: (a) The Far East (b) West Africa (c) Central America	\$10,200	These three small reconnaissance groups investigated the competition in consulting engineering services from other countries, and the opportunities for Canadian specialized engineering services. Since lengthy negotiations are involved on all engineered projects, no attempt is being made to attribute particular projects to these parties.
14. Canadian Travel Promotion Mission to Europe.	\$13,000	The travel business to be influenced by the European and British agents and companies contacted by the mission, will be generated over the next three years. By 1967, visitors from Britain, France and Germany should account for \$60 million spending in Canada.
15. Appliances and Housewares Mission to Europe.	\$ 3,600	Initial sales reported by mission members amounted to \$40,000. Potential sales for the current year are estimated at \$2,000,000.
16. Fish and Food Plant Equipment Mission to Latin America.	\$12,050	Although no actual sales have resulted, Canadian companies are negotiating with potential buyers in Chile and Mexico.
17. Pharmaceutical and Drug Materials Mission to the Middle East.	\$11,000	Follow-up sales from this mission amounted to \$35,000.
18. Fisheries Reconnaissance Mission to Japan.	\$ 5,650	This mission was designed to study the Japanese fisheries industry and as such was not aimed at making sales.
19. Industrial Chemicals Mission to Latin America.	\$11,000	Sample orders placed with members amounted to \$6,000. Mission members estimate new business for the current year will be approximately \$600,000.
20. Textile Fabrics Mission to Europe	\$10,050	Initial Sales amounted to \$100,000.

Canadian Trade Missions Programme 1963-64.—*Concluded*

Mission	Cost	
<i>Incoming Missions</i>		
21. Livestock Mission from South Africa.	\$ 4,100	Sales of purebred cattle for an undisclosed amount were made as a result of this mission.
22. Livestock Mission from Mexico.	\$ 3,600	Although initial sales took place as a result of this mission, the value was not provided by the exporter.
23. Timber Housing Mission from Britain.	\$23,607	The influence of the members of this mission has been apparent in many ways since their return to Britain. Restrictive codes and impediments to timber frame construction are being changed, and Canadian methods and materials are now advocated officially.
24. Seed Potato Mission from Argentina.	\$ 3,590	Substantial exports of seed potatoes followed this mission's visit to Canada.
25. Seed Potato Mission from Jamaica.	\$ 1,600	This mission resulted in a contractual agreement between the Jamaican buyers and Canadian producers.
26. Livestock Mission from Italy.	\$ 1,200	The influence on the one official visitor from Italy cannot now be assessed.
27. Tobacco Mission from Japan.	\$ 4,650	Initial sales resulting from this mission's visit amounted to approximately \$1,000,000.

1964-65 TRADE FAIR PROGRAMME

1964

JANUARY

Northwestern Lumberman's Assoc., Minneapolis ..	Jan. 13-14
*Northeastern Retail Lumbermen's Assoc. Convention, N.Y.	Jan. 18-20
*California Gift Show, Los Angeles	Jan. 19-24
World Cheese Show, Japan	Jan. 21-Apr. 26
Southwestern Lumberman's Assoc., Kansas City ..	Jan. 23-24

FEBRUARY

Nat'l. Sporting Goods Assoc. Convention, Chicago ..	Feb. 2-6
*Carolina Lumber & Building Supply Assoc. Convention, Greenville, South Carolina	Feb. 4-6
*Michigan Retail Lumber Dealers Assoc., Grand Rapids	Feb. 4-6
*Ohio Assoc. of Retail Lumber Dealers, Cleveland ..	Feb. 18-20
Int'l. Household Goods and Hardware Fair, Cologne	Feb. 20-23

MARCH

Fifth Delicatessen Exhibition, London	Mar. 2-6
International Spring Fair, Utrecht	Mar. 9-17
*Mid-South Building Material Convention, Memphis	Mar. 14-15
Western Metal and Tool Exposition, Los Angeles ..	Mar. 16-20
*Iowa Retail Lumbermen's Assoc. Convention, Des Moines	Mar. 17-18
*New England Home Show, Boston (Portable timber exhibit)	Mar. 4-10

APRIL

Scotland's Food Exhibition, Glasgow	Apr. 7-18
The Lumbermen's Assoc. of Texas Convention, Austin	Apr. 11-13
International Samples Fair, Milan	Apr. 12-25
31st Grocers' Exhibition, Manchester	Apr. 21-May 2
European Fur Fair, Frankfurt	Apr. 22-26
*The Int'l. Hardware Trades Fair, London	Apr. 27-May 1

MAY

*National Office Products Exposition, New York	May 21-24
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JULY

Pacific Fine Foods & Beverage Fair, Los Angeles ..	Jul. 19-22
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AUGUST

*Western Electronics Show and Convention, Los Angeles	Aug. 25-28
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SEPTEMBER

Britain's Food Fair, London	Sept. 1-16
*International Leather Week, Paris	Sept. 10-15
8th Nat'l. Convention of Military Electronics, Washington	Sept. 14-16
Marine Trades Exhibit and Conference, Chicago ..	Sept. 17-20

OCTOBER

Building Trades Exhibition, Manchester	Oct. 6-17
Modern Homes Exhibition, Glasgow	Oct. 7-24
*Int'l. Technical Exhibition of Hotel Equipment, Catering Material and Related Industries, Paris	Oct. 8-19
*Western Sporting Goods Assoc.-Western Market, Los Angeles	Oct. 31-Nov. 2

NOVEMBER

*Int'l. Trade Fair of Sports Goods & Camping Equip- ment (SPOGA), Cologne	Nov. 8-10
National Hotel Exposition, New York	Nov. 9-12
Nat'l Lumber & Building Material Dealers Assoc. Exposition, Dallas	Nov. 13-15
Lumberman's Assoc. of Southern California Annual Convention, Palm Springs	Nov.

DECEMBER

Nat'l. Assoc. of Home Builders Convention, Chicago	Dec. 6-10
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TRADE INFORMATION BOOTHS

1964

International Samples Fair, Milan	Apr. 12-25
*Lille International Trade Fair, Lille	Apr. 25-May 10
German Industries Fair, Hanover	Apr. 26-May 5
*47th Int'l. Swedish Trade Fair, Gothenburg	May 15-24
*Paris International Trade Fair, Paris	May 16-28
Barcelona International Samples Fair, Barcelona ..	June 1-15
*Tel Aviv International Trade Fair, Tel Aviv	June 16-July 7
*2nd Finnish International Trade Fair, Helsinki	Sept. 17-27

TRADE FAIR PROGRAMME

1965

JANUARY

California Gift Show, Los Angeles	January 22-29
Nat'l. Sporting Goods Assoc., Convention, Chicago	January 31-February 4
Northwestern Lumberman's Assoc., Minneapolis ..	January
Southwestern Lumberman's Assoc., Kansas City	January
*International Boat Show, Genoa	Jan.-Feb.

FEBRUARY

Int'l. Hardware Trades Fair, London	February 1-5
*Ohio Assoc. of Retail Lumber Dealers, Columbus ..	February 16-18
Int'l. Household Goods and Hardware Fair, Cologne	February 19-22
*Carolina Lumber & Building Supply Assoc., Char- lotte	February
Michigan Retail Lumber Dealers Assoc., Grand Rapids	February
*Nuremburg Toy Fair, Nuremburg	February 11-19

MARCH

Sixth Delicatessen Exhibition, London	March
Iowa Retail Lumberman's Assoc., Des Moines	March
Western Metal & Tool Exposition, Los Angeles	March
Daily Mail Ideal Home Exhibition, London	March
New England Home Show, Boston	March

APRIL

The Lumberman's Assoc. of Texas, San Antonio ..	April 10-12
International Engineering Exhibition, London	April 21-30
European Fur Fair, Frankfurt	April
Tokyo International Trade Fair, Tokyo	April
*Travelling Exhibit—Women's and Children's Wear, U.S.A.	April

MAY

Nat'l. Office Products Exposition, New York	May
Lumber Assoc. of Southern California, Long Beach	May
The Int'l. Leather Fair, London	May

JUNE

Salon Internationale de L'aéronautique et de l'Es- pace, Paris	June
Barcelona Int'l. Samples Fair, Barcelona	June 1-15
*Rassegna Internazionale Electronica Nucleare e Tele- Radio-Cinematografica, Rome	June

TRADE INFORMATION BOOTHS

1965

Int'l. Samples Fair, Milan	April
German Industries Fair, Hanover	April 25-May 4
*Padua International Trade Fair, Padua	June

July 20/64

*denotes trade fairs in which Canada is participating for the first time.

FLUE-CURED TOBACCO EXPORTS — CANADA 1955-63 AND JAN-MAY 1963-64

(in '000 lbs, processed weight)

Destination.....	1955	1956	1957	1958	1959	1960	1961	1962	1963	Jan-May	
										1963	1964
TOTAL.....	45,535	28,556	35,742	27,734	37,853	34,474	37,384	46,804	35,592	27,042	36,064
U.K.....	37,776	20,047	26,031	20,870	29,039	28,569	33,632	34,467	27,814	24,325	27,576
Br. Guiana.....	260	351	351	382	473	451	14	144	87	58	101
Barbados.....	225	270	306	288	180	180	84	120	90	30	30
Jamaica.....	1,321	1,510	1,343	1,550	1,202	932	597	687	430	285	63
Trinidad.....	1,245	1,400	1,392	1,240	1,501	1,118	689	989	36	—	58
Bahamas.....	1	—	—	—	—	—	—	—	—	—	—
Leew-Wind. Is.....	14	12	—	10	12	11	3	6	3	2	3
Australia.....	3,000	1,751	1,599	81	10	80	629	973	493	106	84
Belgium.....	268	174	383	145	168	337	413	575	775	180	524
Denmark.....	8	99	152	250	10	54	243	77	572	405	651
W. Germany.....	826	1,461	2,442	2,209	2,591	1,176	554	5,375	2,499	831	801
Holland.....	502	1,230	1,322	449	253	55	26	1,124	742	154	550
Ireland.....	89	115	80	118	165	11	48	59	78	15	245
Portugal.....	—	93	327	110	111	39	72	48	122	44	—
Uruguay.....	—	6	12	—	—	—	—	—	—	—	—
USA.....	—	37	—	—	822	1,372	336	1,489	423	187	248
Norway.....	—	—	1	—	—	—	—	149	345	94	21
Hong Kong.....	—	—	—	3	2	—	—	167	381	133	112
New Zealand.....	—	—	—	30	79	—	—	—	—	—	—
Malaya.....	—	—	—	0	19	4	11	34	143	93	249
Austria.....	—	—	—	—	1,110	—	—	—	1	—	—
Surinam.....	—	—	—	—	32	22	—	—	—	—	—
Panama.....	—	—	—	—	18	—	—	—	—	—	—
Switzerland.....	—	—	—	—	19	30	—	34	11	11	4
Port. Africa.....	—	—	—	—	36	—	—	—	—	—	—
Finland.....	—	—	—	—	—	20	33	151	53	—	64
Bahrain.....	—	—	—	—	—	3	—	—	—	—	—
Br. Honduras.....	—	—	—	—	—	9	—	9	9	5	4
Chile.....	—	—	—	—	—	—	1	—	—	—	—
Sweden.....	—	—	—	—	—	—	—	90	375	83	—
Pakistan.....	—	—	—	—	—	—	—	18	—	—	—
US Oceania.....	—	—	—	—	—	—	—	19	—	—	15
Malta.....	—	—	—	—	—	—	—	—	1	—	—
Cyprus.....	—	—	—	—	—	—	—	—	35	—	39
Sierra Leone.....	—	—	—	—	—	—	—	—	74	—	—
Port. Asia.....	—	—	—	—	—	—	—	—	2	—	—
Czechoslovakia.....	—	—	—	—	—	—	—	—	—	—	1,000
USSR.....	—	—	—	—	—	—	—	—	—	—	2,712
Israel.....	—	—	—	—	—	—	—	—	—	—	95
Japan.....	—	—	—	—	—	—	—	—	—	—	815

QUANTITY OF REDRIED LEAF TOBACCO TAKEN FOR MANUFACTURE IN CANADA,
BY TYPES, 1960 TO 1963

(in '000 lbs)

	1960	1961	1962	1963
Flue-cured.....	109,244	111,190	113,571	114,729
Burley.....	4,264	4,393	4,495	3,942
Dark (air-fire cured).....	949	812	813	931
Cigar.....	8,360	8,103	8,337	8,792
Pipe.....	313	303	273	278
Other.....	510	615	707	645
TOTAL.....	123,641	125,417	128,196	129,316

(Source—D.B.S. Statistics)

(Source—D.B.S. Statistics)

HOUSE OF COMMONS
Second Session—Twenty-sixth Parliament
1964

STANDING COMMITTEE
ON

Agriculture and Colonization

Chairman: RUSSELL C. HONEY, *Esq.*

PROCEEDINGS

No. 7

Respecting
PRODUCTION AND PROCESSING OF TOBACCO

TUESDAY, AUGUST 11, 1964

INCLUDING SECOND AND THIRD REPORTS TO THE HOUSE

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1964

STANDING COMMITTEE
ON
AGRICULTURE AND COLONIZATION

(Chairman:) RUSSELL C. HONEY, *Esq.*

(Vice-Chairman:) PATRICK T. ASSELIN, *Esq.*

and Messrs.

Alkenbrack,
Armstrong,
Barnett,
Béchar, d,
Beer,
Berger,
Brown,
Cardiff,
Choquette,
Clancy,
Crossman,
Cyr,
Danforth,
Dionne,
Doucett,
Drouin,
Émard,
Éthier,
Forest,
Forgie,
Gauthier,

Gendron,
Groos,
Gundlock,
Horner (*Acadia*),
Horner (*The Battle-*
fords),
Howe (*Wellington-*
Huron),
Jorgenson,
Kelly,
Konantz (*Mrs.*),
Korchinski,
Lamb,
Langlois,
Laverdière,
Lessard (*Lac-Saint-*
Jean),
Madill,
Mather,
Matte,
McBain,

McCutcheon,
Moore (*Wetaskiwin*),
Mullally,
Noble,
O'Keefe,
Olson,
Peters,
Pigeon,
Rapp,
Ricard,
Rochon,
Roxburgh,
Southam,
Tardif,
Temple,
Vincent,
Watson (*Assiniboia*),
Watson (*Châteauguay-*
Huntingdon-Laprairie),
Whelan—60

(Quorum 20)

D. E. Lévesque,
Clerk of the Committee.

ORDER OF REFERENCE

TUESDAY, August 11, 1964.

Ordered,—That the Standing Committee on Agriculture and Colonization be granted permission to adjourn from place to place within Canada; that the Clerk of the Committee accompany the Members; and that, when the Committee adjourn from place to place, the actual living and travelling expenses of the Committee members be paid.

Attest.

LÉON-J. RAYMOND,
The Clerk of the House.

REPORTS TO THE HOUSE

AUGUST 11, 1964.

The Standing Committee on Agriculture and Colonization has the honour to present its

SECOND REPORT

Your Committee recommends:

1. That it be granted permission to adjourn from place to place within Canada.
2. That the Clerk of the Committee accompany the Members.
3. That, when the Committee adjourn from place to place, the actual living and travelling expenses of the Committee members be paid.

Respectfully submitted,

RUSSEL C. HONEY,
Chairman.

AUGUST 12, 1964.

The Standing Committee on Agriculture and Colonization has the honour to present the following as its

THIRD REPORT

Your Committee, pursuant to its Order of Reference of May 6, 1964, submits its findings, observations and recommendations to the House of Commons in the annexed document.

A copy of the Committee's Minutes of Proceedings and Evidence (*Issues 1 to 7 inclusive*) is appended herewith.

Respectfully submitted,

RUSSELL C. HONEY,
Chairman.

CHAPTER I—GENERAL

Pursuant to an Order of Reference dated May 6th, 1964, the Standing Committee on Agriculture and Colonization had before it the following matter for consideration and report:

"That, in order to ensure the continuance of the vital part being played by the tobacco industry in the economy of this nation, the Standing Committee on Agriculture and Colonization be empowered to review the research and experimental facilities now provided to the production and processing of tobacco in this country and to recommend such measures as may be expedient to promote and assist in the production of Canadian tobacco."

Your Committee held nine meetings and heard evidence from:

- (a) Dr. J. A. Anderson, Director General of Research, Department of Agriculture, Ottawa;
- (b) Dr. Norman A. MacRae, Associate Director (Tobacco), Department of Agriculture, Ottawa;
- (c) Mr. L. S. Vickery, Superintendent, Tobacco Experimental Station, Delhi, Ontario;
- (d) The Ontario Flue Cured Tobacco Growers' Marketing Board, Tillsonburg, Ontario;
- (e) The Burley Tobacco Marketing Association of Ontario, Chatham, Ontario;
- (f) The Tobacco Cooperative Society of the District of Joliette, St. Jacques, Que.;
- (g) The Quebec Pipe and Cigar Tobacco Producers Board, St. Jacques, Que.;
- (h) The Agricultural Cooperative Society of the Yamaska Valley, St. Césaire, Que.;
- (i) The "Cooperative Fédérée de Quebec";
- (j) The Flue Cured Tobacco Producers Board, Lanoraie, Que.;
- (k) The Producers of Yellow Tobacco of the Province of Quebec, St. Thomas, Que.;
- (l) Mr. Austin J. Stanton, Assistant Director (Agriculture), Agriculture and Fisheries Branch, Department of Trade and Commerce, Ottawa.

Your Committee wishes to express its appreciation to all those who presented evidence and to its Clerk, Mr. D. E. Levesque and personnel of the Committees Branch who have so greatly assisted the Committee in the performance of its duties.

In view therefore of the present status of, and having completed its inquiry pursuant to its Order of Reference, your Committee reports accordingly.

CHAPTER II—INTRODUCTION

The success of the tobacco industry in Canada depends on the export and domestic sales of the product which in turn must rely upon a concentrated and coordinated research program in the fields of (1) production (2) marketing (3) manufacturing and (4) health. Your Committee made detailed studies of the present research in the two fields first mentioned. We considered research in the manufacturing field to be chiefly the responsibility of the companies con-

cerned and therefore we did not deal in detail with this third area. Insofar as research in the field of health is concerned your Committee considered this to be substantially outside the Order of Reference and did not therefore deal with this last area at any length.

In recent years the margin of profit in the tobacco industry has narrowed despite the fact that production per acre has increased tremendously. Evidence presented to the Committee indicated that domestic and foreign markets have not been able to absorb the total production with the result that substantial stocks of tobacco have accumulated from time to time. Consequently the production of all types of tobacco grown in Canada is presently seriously curtailed.

1964 production of flue-cured tobacco (which constitutes 93% of the tobacco grown in Canada) has been restricted to 45% of the allocated basic acreage in Ontario. Quebec producers are also drastically curtailed. In 1963 Canada produced 180 million pounds of flue-cured tobacco whereas Canada could easily produce 300 million pounds per year.

In 1964 burley tobacco growers in Ontario have in production only 25% of this basic acreage. In 1960 because of accumulated burley tobacco stocks Ontario producers voluntarily decided to grow no burley tobacco that year. Canada's burley production has decreased approximately 20% to 73 million pounds in the 10 year period 1954 to 1963 as against 88 million in the previous 10 year period. Twenty years ago Ontario burley producers were operating 8,000 acres and they had the facilities with which to operate this acreage. To-day the burley growers are reduced to growing 4,000 acres. Insofar as soil and climatic conditions are concerned there is a vast potential for the increase of burley tobacco production in Canada.

The production of cigar tobacco in Canada is at present confined to the Province of Quebec. Annual production of cigar tobacco over the last five years has averaged 5,500,000 pounds, with an average market value of \$1,400,000. In the past two years purchases of cigar tobacco have fallen off so that there is now over 1,000,000 pounds of the 1962 and 1963 crops held in storage and unsold. The production of pipe tobacco in Quebec has shown an even more alarming picture as it has fallen from 3,000,000 pounds in 1943 to 350,000 pounds in 1963.

CHAPTER III—PRODUCTION RESEARCH

Research on production conducted in Canada has had the aim of improving the quality of Canadian leaf. Because of such research, and the cooperation of growers and buying companies, Canada has succeeded in producing tobacco leaf of good aroma, flavour, filling power, texture, color and workable characteristics that generally meets the requirements of both the export and domestic markets.

Your Committee congratulates the officials of the Canada Department of Agriculture and their staff for the achievements made in production research. At the same time we recognize that these gains could only have been accomplished with the cooperation of the growers and the buying companies. Gains made have been particularly significant in the flue-cured and burley leaf field as it is recognized that Canada produces a flue-cured or burley tobacco leaf comparable in quality to any in the world to-day.

While extending the congratulations the Committee hastens to point out that Canada could have done better in the field of production research had our scientists been given adequate facilities, both in finances and manpower, with which to work.

The Director General of Research, Department of Agriculture, advised your Committee that Canada is doing "something in order of less than one-twentieth of the work (in agricultural research) that is done in the United States". Your

Committee is of the opinion that Canada's allocation of funds for all agricultural research is very inadequate and that it is imperative that these funds be increased to a realistic amount, commensurate with Canada's position as an agricultural country.

In 1963 the federal government spent approximately \$375,000 for tobacco research. It was pointed out in evidence by the aforementioned Director General that, proportionately speaking, this was a fair allotment of the total overall allocation for research carried out by the Canada Department of Agriculture. However, in light of the following factors as presented in evidence, your Committee is of the opinion that an inadequate proportion of the allotment is being directed to research in the tobacco industry.

- (a) The tobacco plant is probably the most temperamental of all plants and it responds violently to changes of all environmental conditions. The very nature of the plant requires a higher degree of research than other crops, such as grain.
- (b) Canada cannot always benefit directly by tobacco research carried out in other countries and research carried out on tobacco in Canada is not a duplication of work done elsewhere. By and large research work done in other countries, while available to Canada, is often of limited assistance to us. Canadian research must be carried out under the environmental conditions which prevail in this country. In Canada we have not kept pace. Cultural practices used by the farmer such as fertilization, choice of varieties, irrigation, cultivation, suckering and curing greatly affect the chemical and physical properties, the flavour and aroma of the leaf.
- (c) The Provincial Departments of Agriculture, the Agricultural Colleges and Universities do not contribute directly to tobacco production research. This fact is peculiar to tobacco because in most other crops these institutions do assist with production research.
- (d) Canada's three main competitors on the world market—the U.S.A., Rhodesia and India have made rapid strides in expansion of their research facilities. Intensive research is now necessary to keep the Canadian grower abreast of the present ever-changing requirements of the consumers of the domestic and foreign tobacco manufacturers.
- (e) At the present time tobacco growers are faced with several critical problems which warrant special consideration, possibly by way of "crash" programs, in order that answers may be found before irreparable damage is done to the individual grower, or the industry as a whole. These problems include weather fleck, grey tobacco, sucker growth control, immunity to insecticides and development and testing of herbicides.
- (f) Because of the present high levels of yield per acre your Committee is of the opinion that it is not necessary to place special emphasis on increasing this yield. There does remain, however, a great scope for improvement in the quality of the leaf and Canada must have a research program which will keep us abreast or ahead of other tobacco producing countries.

CHAPTER IV—MARKETING RESEARCH

While Canada grows a high quality flue-cured and burley tobacco leaf we are doing so under conditions of curtailed production because we have not fully developed our export markets. The failure to expand foreign markets is the most serious problem facing the Canadian tobacco industry to-day.

Intensive research is necessary to keep the grower abreast of the present, ever-changing requirements of the domestic and foreign tobacco consumers and manufacturers. Market trends and consumer requirements must be followed carefully.

By and large the research program has anticipated the requirements of the domestic and foreign purchasers of flue-cured leaf but your Committee is concerned with the failure to appreciate market trends in both the burley and cigar tobacco fields.

Your Committee heard evidence to the effect that the rapid swing in consumer demand to a cigarette type burley in the last ten years has altered the burley growers' production schedule very drastically. In 1960 stocks of pipe and chewing tobaccos reached a point where the buying companies asked the burley producers not to grow any burley in that year. Overnight growers were aware of dramatic changes which had to be made in their production.

A new variety, new fertilization, handling and curing methods, all developed at the Harrow research station were adopted by the growers in 1961 to produce a cigarette type burley. In 1962 and 1963 growers continued to produce this excellent cigarette type burley but it was at that point too late as foreign buyers had turned to other sources of supply. When our salesmen tried to recapture these markets they found that something other than the quality of our tobacco was affecting sales. Our prices were too high! It appears growers were 10 years too late in changing production from a pipe and chewing type burley to a cigarette type. Your Committee is of the opinion that there should have been better marketing research facilities leading to the earlier introduction of the cigarette type burley to the consumer, and in keeping the grower abreast of changing requirements of the domestic and foreign consumer.

In the field of cigar and pipe tobaccos the alarming decline in production can probably be attributed to the fact that such tobaccos are generally considered to be "too strong". Until Canada's research program can develop a milder cigar and pipe tobacco as requested by the consumer, our tobaccos will not be able to compete with the milder tobaccos which are well established on the export market. Your Committee is pleased to note that one of the Departmental group research Committees is presently working on this problem and that this group research Committee is co-operating with the Quebec Department of Agriculture and the cooperatives at St. Jacques and St. Césaire.

The improvement in the quality of the leaf is only part of the overall requirement for the export market. It is evident to your Committee that Canada must create a favourable atmosphere for the encouragement of these markets. Related to this requirement is the necessity of producing tobacco at a price which is competitive on the world market, and being able to give the assurance to foreign buyers of a continuing supply of high grade tobacco leaf.

Your Committee has referred to the necessity of offering tobacco on the world market at a price which is competitive. The greatest factor in permitting the Canadian tobacco trade to make such offerings is the ability of the Canadian grower to cut his production costs drastically. Low acreage permits resulting in idle production capacity, high capital cost of production units, high labour costs (as compared to labour costs in some competing countries) and unchanged harvesting and curing practices are all factors in making Canadian tobacco a high cost product on the world market.

CHAPTER V—MANUFACTURING RESEARCH

This Committee did not hear direct evidence on the matter of research in the manufacturing of tobacco in Canada. Most of the research done in this area is carried out by companies who are interested in the end-use of tobacco. These

companies carry out a great deal of work on smoke analysis, the effectiveness of filter-tips, and, variations in the recipes of blends of different grades or types of tobacco.

The desire of the manufacturing companies to present a satisfactory and acceptable product to the public is obvious. Also apparent is the necessity that the research carried out by the companies be such as to satisfy the requirements of the smoking public, otherwise the financial success of the manufacturer could not be insured for any time.

CHAPTER VI—HEALTH RESEARCH

Your Committee heard evidence to the effect that, as yet no specific ingredient in tobacco has been positively identified as being harmful to health. Evidence received by the Committee indicates that if such an ingredient does in fact exist and can be isolated and identified it may be possible to remove the hazards to health through research.

\$300,000. has been set aside by the Canadian Tobacco industry for assistance in financing research into the cause or causes of lung cancer. Evidence was adduced to the Committee that only \$200,000 of this sum has been used. There is still \$100,000 available for this purpose. Your Committee heard evidence that there is currently no research being carried on in Canada in an attempt to ascertain if there is an ingredient in tobacco which is injurious to health.

Although this is outside the terms of reference of your Committee we think there is a duty on the part of the Federal Government to take a lead in this particular field of research. Witnesses before this Committee have indicated a desire on the part of the tobacco industry to co-operate in this study. We commend the industry for the responsible and realistic position it has taken on this matter.

CHAPTER VII—RECOMMENDATIONS

Having reviewed the evidence adduced before it your Committee accordingly finds and recommends:

1. Emphasis is placed on this first recommendation that the government should establish a program of tobacco marketing research. The Canada Department of Agriculture does not have such a program and we understand that this may not come strictly within the sphere of the responsibilities of that Department. The Department of Trade and Commerce works in co-operation with growers' boards, the trade companies and Provincial governments in an attempt to sell tobacco on the foreign market but has no program of market research. Your Committee is surprised to find that there is no Canadian program of market research in the tobacco industry. Production research to keep the Canadian tobacco grower abreast of the ever-changing requirements of the consumer is of little benefit if the requirements of such consumer from time to time are not ascertained and relayed to the production research scientist. If an effective program of marketing research had been in effect ten years ago the present position of the burley and cigar tobacco industries in Canada to-day might have been vastly different. In this recommendation your Committee does not wish to trespass on the area of sales promotion which is outside the terms of our Order of Reference. Your Committee does wish to emphasize, however, as the most urgent recommendation in this Report, that steps be taken forthwith to establish an adequate program of market research for the Canadian tobacco industry, with particular emphasis being

placed on requirements of the export markets. Related to the subject of market research is that of production research. In other words we must ascertain what the buyer requires and then arrange to grow that type of tobacco. This is of particular importance in regard to our export sales. For example, the 1963 flue-cured tobacco crop did not contain sufficient top grades to fill the requirements of the export market. It should be emphasized that there is a potential for a substantial increase in the foreign markets for flue-cured tobacco if the Canadian producer can grow a substantially greater quantity of top grades.

2. The Funds allocated in Canada for tobacco production research are insufficient to permit the staff to perform the routine duties required to keep Canada's tobacco industry abreast of developments in competing countries. Testimony was received to the effect that compared to other tobacco producing countries our research program, in respect to the amount of money allocated and the number of employees, is rather modest and that funds provided for the tobacco production research program in Canada are inadequate. Your Committee recommends a review and upward revision of the funds allocated for tobacco production research, and suggests that immediate emphasis should be given to the following:

- (a) The development of an intensified program of research in an effort to achieve more mechanized production methods, with specific reference to curing and harvesting procedures, in an effort to lower the high cost of production of Canadian tobacco.
- (b) More direct research to find a milder cigar tobacco for production in Canada.
- (c) Research should be instituted in an attempt to increase the use of Canadian grown pipe tobacco. It is recognized that in recent years imported pipe tobaccos have gained greatly in popularity. An attempt should be made to develop Canadian varieties which will be equally acceptable to the pipe-smoking public. In particular research should be undertaken into the matter of chemical additives to pipe tobacco which makes for a very pleasant and aromatic smoke.
- (d) The institution of "Crash" programs in an attempt to conquer the problems of weather fleck, grey tobacco, sucker growth control (chemical inhibitors), immunity to insecticides and to facilitate the development and testing of new herbicides.

Your Committee is satisfied by the evidence presented that research in the above-mentioned area is hampered by lack of funds and personnel.

3. Your Committee is impressed with the evidence with respect to the establishment of group research committees. These are working committees which have dealt with or are presently dealing with such matters as curing and the use of forced warm air heating, the problems relating to weather fleck and with respect to an attempt to provide cigar manufacturers with a milder cigar leaf filler. The latter is still an active committee composed of departmental representatives, the Quebec Department of Agriculture and the Co-operatives at St. Jacques and St. Césaire. Your Committee is of the opinion that the function of such Committees could be extended and made more effective if they were responsible to a Research Advisory Committee composed of representatives from the Canada

Department of Agriculture, relevant Provincial Departments of Agriculture and representatives of growers and processors. It would be the duty of the proposed Research Advisory Committee to recommend the establishment of such group research committees, to receive reports from them from time to time, to report annually to the Minister of Agriculture and, generally, to direct and co-ordinate all research in the tobacco industry in the fields of production, manufacturing and marketing. Your Committee recommends the establishment of such a Research Advisory Committee.

4. Your Committee is interested in the evidence given with reference to the considerable assistance provided for the research program from time to time by the Imperial Tobacco Company of Canada, and commends that company for its initiative and co-operation. The Committee is also interested in evidence that in Rhodesia the growers themselves contribute to the cost of a very extensive research program.

Your Committee recommends that the Canada Department of Agriculture encourage co-operation with the growers and all the companies in the field of research. Having in mind the position of the tobacco growers at the present time who must contend with low acreages, high cost of production and limited export markets we do not recommend financial contributions by the growers to a joint program at this time. Your Committee is of the opinion that it is the responsibility of the government to provide an adequate research program at all times. We recommend consideration be given by the growers and all companies to a joint research program which would have the objective of developing further research over and above the adequate research which your Committee has stated to be the responsibility of the government. Your Committee suggests that such a joint program could be developed and co-ordinated by the Research Advisory Board hereinbefore referred to.

5. Your Committee recommends the expenditure of an amount sufficient to enlarge and improve the Tobacco Experimental Station at Delhi, Ontario, so that it can completely fulfill its function as the chief experimental station for the flue-cured tobacco industry. The Committee received evidence that the accommodations at Delhi are somewhat cramped and increased facilities are required.

Your Committee does not recommend as to the extent of the enlargement of facilities but does find the great weight of evidence to indicate that the government should give consideration to such enlargement and your Committee so recommends.

6. Your Committee recommends that the program of research at l'Assomption, Quebec, Experimental Farm should place special emphasis on research in the matter of cigar and pipe tobaccos. The Committee was informed that there are vacancies in the staff at this station, and we recommend that the government should, at once, review the personnel requirements and facilities with a view to placing it on a completely effective operational basis.

7. Your Committee recommends a thorough review of the facilities for research in burley tobacco production at the Harrow, Ontario, Experimental Farm. Evidence heard by the Committee indicates that repeated requests have been made for the addition of a laboratory in which to conduct certain tests relative to chlorine content and nicotine content of the burley leaf.

In view of the fact that research in the burley tobacco industry is centered at Harrow, Ontario, your Committee is of the opinion that all necessary and adequate facilities therefore should be available at that station and recommends accordingly.

Respectfully submitted.

RUSSELL C. HONEY,
Chairman.

MINUTES OF PROCEEDINGS

TUESDAY, August 11, 1964.

(9)

The Standing Committee on Agriculture and Colonization met this day IN CAMERA at 9:55 o'clock a.m. The Chairman, Mr. Russell C. Honey, presided.

Members present: Mrs. Konantz and Messrs. Béchard, Beer, Berger, Brown, Danforth, Forgie, Gendron, Groos, Gundlock, Honey, Jorgenson, Kelly, Madill, Matte, McBain, McCutcheon, Mullally, Noble, Olson, Roxburgh, Southam, Watson (*Assiniboia*), Watson (*Châteauguay-Huntingdon-Laprairie*), Whelan (25).

The Chairman, on behalf of the Subcommittee on Agenda and Procedure, submitted a "Draft Report to the House". The Committee proceeded to review the report paragraph by paragraph.

After discussion, the said report was amended.

On motion of Mr. Southam, seconded by Mr. Roxburgh,

Resolved,—That the report be adopted as amended and that the Chairman present it as the Committee's Third Report to the House.

Mr. Danforth moved, seconded by Mr. Madill and it was

Agreed,—that the Committee print, in booklet form, 2,500 bilingual copies of its report to the House.

Mr. Roxburgh paid tribute to the members of the Steering Committee for their long hours spent in the preparation of this report.

On motion of Mr. Madill, seconded by Mr. Watson (*Assiniboia*),

Resolved,—That a vote of thanks be tendered to the Chairman and to the other members of the Steering Subcommittee, for the work they have done and for the manner in which they have carried out their responsibilities.

The Chairman referred to the proposed Cross-Canada tour of Provincial Agricultural areas. After a brief discussion, Mr. Whelan moved, seconded by Mr. Madill, and it was,

Agreed,—that the Committee seek permission from the House to adjourn from place to place within Canada, that the Clerk of the Committee accompany the Members, and that when the Committee adjourn from place to place, the actual living and travelling expenses of the members be paid.

Subject to authority being granted by the House, the Chairman informed the Committee that it was intended that the members leave Ottawa on September 27th for a period of approximately two weeks. After visiting the Winnipeg Grain Exchange and the Grain Elevators, the Committee would hold a formal meeting. The Committee would also sit in Vancouver to hear representatives of British Columbia Agriculturists.

It was *agreed* that the Chairman present a Report to the House accordingly.

At 11:20 a.m. the Committee adjourned to the call of the Chair.

D. E. Lévesque,
Clerk of the Committee.

(The Third Report to the House is printed in a separate bilingual booklet).

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HOUSE OF COMMONS
Second Session—Twenty-sixth Parliament
1964

STANDING COMMITTEE
ON

Agriculture and Colonization

Chairman: RUSSELL C. HONEY, *Esq.*

MINUTES OF PROCEEDINGS AND EVIDENCE
No. 8

Respecting
PRICES OF FEED GRAINS

TUESDAY, OCTOBER 6, 1964

WITNESSES:

From the Montreal Corn Exchange Association: Miss Lorraine Campbell,
Secretary, and Messrs. J. D. McAnulty, Chairman, M. Gaulin, R. A.
Ness and R. Strauss.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1964

STANDING COMMITTEE
ON
AGRICULTURE AND COLONIZATION

(Chairman:) RUSSELL C. HONEY, Esq.

(Vice-Chairman:) PATRICK T. ASSELIN, Esq.

and Messrs.

Alkenbrack,	Forgie,	Matte,
Armstrong,	Gauthier,	McBain,
Asselin	Gendron,	Moore,
(Richmond-Wolfe),	Groos,	Mullally,
Barnett,	Gundlock,	Nasserden,
Béchar, d,	Honey,	O'Keefe,
Beer,	Horner (Acadia),	Olson,
Berger,	Horner	Peters,
Brown,	(The Battlefords),	Rapp,
Cadieu,	Howe (Wellington-	Ricard,
Choquette,	Huron),	Rochon,
Cooper,	Jorgenson,	Roxburgh,
Crossman,	Kelly,	Southam,
Cyr,	Konantz (Mrs.),	Tardif,
Danforth,	Korchinski,	Temple,
Dionne,	Langlois,	Vincent,
Drouin,	Laverdière,	Watson (Assiniboia),
Émard,	Lessard (Lac-Saint-	Watson (Châteauguay-
Éthier,	Jean),	Huntingdon-Laprairie),
Fairweather,	Madill,	Webb,
Forbes,	Mandziuk,	Whelan—60
Forest,	Mather,	

Quorum 20

D. E. Levesque,
Clerk of the Committee.

Messrs. Cadieu (*Meadow Lake*), Forbes, Cooper, Nasserden, Webb and Mandziuk replaced Messrs. Clancy, McCutcheon, Doucett, Cardiff, Pigeon and Noble on September 10, 1964.

Mr. Fairweather replaced Mr. Lamb on October 1, 1964.

ORDERS OF REFERENCE

HOUSE OF COMMONS

WEDNESDAY, June 24, 1964.

Ordered,—That the Standing Committee on Agriculture and Colonization be empowered to examine and enquire forwith into all matters arising out of and relating to the difference between the prices received for Feed Grain by the producers in the Prairie Provinces of Canada and the price paid by live-stock feeders in Eastern Canada and British Columbia, and that the evidence adduced before this Committee in the Twenty-sixth Parliament be referred to the Committee, and that the Committee have leave to receive such evidence as part of the said examination.

THURSDAY, September 10, 1964.

Ordered,—That the names of Messrs. Cadieu (*Meadow Lake*), Forbes, Cooper, Nasserden, Webb and Mandziuk be substituted for those of Messrs. Clancy, McCutcheon, Doucett, Cardiff, Pigeon and Noble, respectively, on the Standing Committee on Agriculture and Colonization.

THURSDAY, October 1, 1964.

Ordered,—That the name of Mr. Fairweather be substituted for that of Mr. Lamb on the Standing Committee on Agriculture and Colonization.

Attest

LEON-J. RAYMOND

The Clerk of the House.

MINUTES OF PROCEEDINGS

TUESDAY, October 6, 1964.

(10)

The Standing Committee on Agriculture and Colonization met this day at 10:20 o'clock a.m. The Chairman, Mr. Russell C. Honey, presided.

Members present: Messrs. Alkenbrack, Asselin (*Richmond-Wolfe*), Barnett, Béchard, Beer, Brown, Cooper, Crossman, Cyr, Ethier, Forbes, Forest, Gendron, Honey, Horner (*Acadia*), Howe (*Wellington-Huron*), Jorgenson, Madill, Mather, Matte, McBain, Nasserden, Olson, Southam, Vincent, Watson (*Assiniboia*), Watson (*Châteauguay-Huntingdon-Laprairie*), Whelan and Webb. (29)

Witnesses: From the *Montreal Corn Exchange Association*: Miss Lorraine Campbell and Messrs. J. D. McAnulty, Chairman, M. Gaulin, R. A. Ness and R. Strauss.

In attendance: From the Department of Agriculture: Mr. Benoit Lavigne, Director of Eastern Feed Grains, Mr. C. L. Stevenson, Plant Products Division.

The Chairman read the Order of Reference and introduced the witnesses; Mr. McAnulty read his brief and the Committee proceeded to the questioning of the witnesses.

At 12:10 p.m., the examination of the witnesses continuing, the Committee adjourned to 3:30 p.m.

AFTERNOON SITTING

(11)

At 4:05 o'clock p.m., the Committee resumed, Mr. Honey presiding.

Members present: Messrs. Alkenbrack, Asselin (*Richmond-Wolfe*), Barnett, Béchard, Brown, Choquette, Cooper, Cyr, Dionne, Fairweather, Forest, Forgie, Honey, Howe (*Wellington-Huron*), Jorgenson, Laverdière, Madill, Mather, Matte, McBain, Nasserden, O'Keefe, Ricard, Southam, Tardif, Vincent and Watson (*Assiniboia*). (27)

In attendance: Same as at morning sitting.

The Committee continued the questioning of the witnesses.

At the request of Mr. Barnett, and it was *agreed* that a list of Members of the Montreal Corn Exchange Association produced by the witness be appended to this day's evidence (*See Appendix 1*).

At 6:10 o'clock p.m. the examination of the witnesses being concluded, the Chairman thanked them for their excellent presentation and the Committee adjourned to Thursday, October 15th to hear representatives of the National Farmers Union.

D. E. Levesque,
Clerk of the Committee.

Note—The evidence, adduced in French and translated into English, printed in this issue, was recorded by an electronic recording apparatus, pursuant to a recommendation contained in the Seventh Report of the Special Committee on Procedure and Organization, presented and concurred in, on May 20, 1964.

EVIDENCE

TUESDAY, October 6, 1964.

The CHAIRMAN: Gentlemen, will you please come to order; we now have a quorum and will start our meeting.

I would like to thank all members for turning out this morning. This is the first meeting of the resumed series of meetings with regard to the matter of eastern feed grains. As members will recall, these hearings were interrupted because of the tobacco inquiry which finished some time ago.

Because we are resuming these hearings after quite some interval, it might be well that I read to the committee the terms of reference with which we are concerned this morning, and in subsequent meetings. This is a reference from the House of Commons to the standing committee on agriculture and colonization:

WEDNESDAY, June 24, 1964.

Ordered:

That the standing committee on agriculture and colonization be empowered to examine and inquire forthwith into all matters arising out of and relating to the difference between the prices received for feed grain by the producers in the prairie provinces of Canada and the price paid by livestock feeders in eastern Canada and British Columbia, and that the evidence adduced before this committee in the twenty sixth parliament be referred to the committee, and that the committee have leave to receive such evidence as part of the said examination.

This morning we are very pleased to have before us representatives from the Montreal Corn Exchange Association. I will introduce these gentlemen to members of the committee. On my immediate right is Mr. J. D. McNulty, chairman of the eastern feeds and domestic committee of the Montreal Corn Exchange Association; on Mr. McNulty's right is Mr. R. Strauss, director of the Montreal Corn Exchange Association; next to Mr. Strauss is Mr. M. Gaulin, a director of the Montreal Corn Exchange Association; next to Mr. Gaulin is Mr. R. A. Ness, another director of the Montreal Corn Exchange Association; and at the end of the table we are very pleased to have Miss Campbell who is secretary of the Montreal Corn Exchange Association.

Mr. McNulty is going to be kind enough to read to us a brief which is very short. I will also ask him, before he reads the brief, to take as much time as he wishes to explain the obligations, duties and functions of the Montreal Corn Exchange Association so that those of us who are from areas outside of the Quebec and Montreal region will be familiar with the Montreal Corn Exchange.

Mr. J. D. McANULTY (Chairman, Montreal Corn Exchange Association): Mr. Chairman, ladies and gentlemen, last year the Montreal Corn Exchange celebrated its one hundredth anniversary. We started out many years ago by having a trading floor in Montreal in the board of trade building; of course, this was disbanded some years ago. The present Corn Exchange Association, which is a branch of the Montreal board of trade, is made up of different segments of the feed and grain industry in the province of Quebec, mainly in the

Montreal area; it is made up of steam operators, stevedores, grain handlers, grain merchants and feed manufacturers, which form the bulk of the membership of the Montreal Corn Exchange Association. This is an association which is concerned mainly with the free movement of grain and feedstuffs through the port of Montreal, it is an association where we can meet to discuss our problems and find solutions which are to our mutual advantage in respect of the free movement of grain and foodstuffs through the Montreal area.

I have a brief here which I would like to read to the members of the committee.

Sirs:

During the last two years much has been said concerning the ills of Eastern agriculture and numerous suggestions have been put forward by farmers unions and other associations.

This is a complex problem. The Western farmers being mainly grain producers are interested in selling their grain through their selling agents, the Canadian Wheat Board, at the highest possible price and this we feel is reasonable. The Eastern farmers, on the other hand, are mainly transformers of grain, that is, they transform grains into production of milk, eggs, chickens, turkeys, hogs, etc. and so to do this profitably they must look to the cheapest sources of feed stuffs.

While we cannot attempt to remedy all the ills at once we feel that the following recommendations might be helpful in reducing the costs of basic feed stuffs to Eastern farmers.

1. *Canadian Wheat Board:* Under existing regulations the Eastern farmer is subject to controls by the Canadian Wheat Board in that he must obtain the Board's permission before importing grains from other countries. It has been possible, at times in the past, to import foreign grains at prices below the cost of Western grown grains. The Wheat Board was originally formed as a selling agent for western grains and we recommend that their powers be limited to this responsibility.
2. *Supplies at Lakehead:* The Wheat Board should be more liberal in establishing delivery quotas of feed grains so as to always have at the Lakehead ample supplies that could be quickly available to the Eastern trade. This would go a long way in eliminating premiums provided these stocks are offered regularly to the Eastern trade on a competitive basis.
3. *Two-Price System:* We are against a two-price system on wheat that would bring about higher costs of feeding grades of wheat to the Eastern farmer.
4. *U. S. Corn:* U. S. Corn is allowed unrestricted entry into Canada on payment of a duty of 8¢ per bushel. As the grain is principally used by Eastern farmers we recommend that the duty, of 8¢ per bushel, be lifted.
5. *Domestic Storage in Eastern Elevators:* There should at all times, be sufficient space available in Eastern elevators for the free and continuous movement of domestic grain. Since licenses covering all eastern elevators are issued by the Board of Grain Commissioners, we feel some provisions should be made for closer co-ordination between this agency and the Eastern trade.

With reference to Government subsidizing of winter storage charges on feeding grains in Eastern elevators, we feel this might be helpful to a degree, but such a policy would not completely offset the premium factor brought about by the cost of railing feed grains as against the cost of water transportation.

6. *Freight Subsidies*: With regard to freight subsidies paid for grain moving to Eastern Canada, we feel that these should be worked out on a price structure which would give a ratio relating the cost of feed grains to the finished products. Until such a policy can be devised the present form of freight subsidy should be continued. The freight subsidy policy, being paid out of public funds, must continue to be administered by the Government and not by any outside agency. The freight subsidy is presently financed by the grain trade which must employ additional staff. We feel that some form of interest and/or administrative cost should be paid to wholesalers who actually finance over 17 million dollars of Government subsidies at their own expense.

In concluding, we would like to emphasize that if any changes should take place which are not in accordance with the thoughts brought forward above, that our committee should be consulted before such legislation is introduced.

The ills of the Eastern farmers are mostly brought about by the fact that they have no way of knowing their cost of feed stuffs (as they are subject to market fluctuations influenced by world conditions and premiums dependent on availability) nor the price they will receive for their finished products. In fact, they are gambling all the way. Their position is much different to that of the Western farmers who have some guarantee of revenues from minimum prices, crop insurance, etc.

Respectfully submitted,

MONTREAL CORN EXCHANGE ASSOCIATION

Represented by:

G. R. de Cotret,	E. W. Caron & Co. Limited
M. Lavallée,	Cooperative Federée de Quebec
Y. Dulude,	Toronto Elevators
M. Gaulin,	Parrish & Heimbecker Limited
D. R. Kennedy,	Ogilvie Flour Mills Co. Ltd.
J. McAnulty,	Ralston Purina Company Ltd.
R. Strauss,	Agro Company of Canada Ltd.

The CHAIRMAN: Thank you very much, Mr. McAnulty. I know members of the committee will have questions to ask Mr. McAnulty and the other gentlemen who are here this morning. The meeting now is open to questions.

Mr. OLSON: Mr. McAnulty, before I ask any questions I would like to compliment you on a brief which is brief, succinct and to the point; it certainly is a welcome change. In your second recommendation you say:

This would go a long way in eliminating premiums provided these stocks are offered regularly to the eastern trade on a competitive basis.

Is this not the case at the present time; are you not offered on a regular basis stocks of grain from the Canadian wheat board.

Mr. R. STRAUSS (*Director, Montreal Corn Exchange Association*): There has been a great improvement in the last year or so. The wheat board is bringing supplies forward more steadily so that prices are not climbing as heavily at this time of year as has been the case in previous years; there is an improvement.

Mr. OLSON: Is this simply because there are more feed grains put in storage where you can obtain it in eastern terminals?

Mr. STRAUSS: Yes—the western terminals.

Mr. OLSON: This word "offered" bothers me a little. Do you not have access to the purchase of feed grain from the wheat board any day of the week or any week of the year?

Mr. STRAUSS: Not every grade which is required. The wheat board in most cases gives first priority to wheat, and only if the regular supplies of wheat are moving are coarse grains taken into consideration. Generally the eastern feeder would like to have certain grades and these grades always are not available. For example, No. 1 feed oats may not be available at all times and the feeder has to take the next highest grade which is half a cent more expensive. I would say oats or barley may be available, but the grades required in the east are not always available, and this cannot always be regulated by the wheat board, because it depends on the kind of grades the farmers are delivering at certain times of the year.

Mr. OLSON: What would you recommend be done to correct or improve this situation? I think you suggested there has been some improvement. Is there any action which could be taken to give you an opportunity to purchase the grades you need when you need them?

Mr. STRAUSS: I think the Canadian wheat board at this stage knows fairly well what type of grades are required at all times, and during the summer and early fall provision probably could be made to make these grades available. This is something which would have to be done through the Canadian wheat board.

Mr. OLSON: In paragraph one you speak of requiring the consent or permission of the Canadian wheat board before importing grains from any other country. I suppose you are speaking particularly of the United States. Have you been denied permission to import feed grain at any time when you could have purchased at a favourable price?

Mr. STRAUSS: Two years ago we imported oats from the United States, but after a certain period oats became available here, so further permits were denied even though the price might be cheaper. It was more or less a question of availability. The wheat board has it in its own discretion to issue licences for importation of grain. This is not the case in the United States or in any other country. I would say we could get barley cheaper from France, which is an exporter of barley and a very aggressive one. I doubt whether the Canadian wheat board would grant this importation of barley before all our sources of supply were exhausted.

Mr. OLSON: I appreciate your opinions, but has there been any instance in which you actually have been required to pay a higher price because the permission was not forthcoming from the Canadian wheat board?

Mr. STRAUSS: I do not recollect at the present time, but this is one part of the business which has not been pursued very strongly because it was normally taken for granted by the trade that the wheat board automatically would refuse the importation of barley. I remember we made requests to import brewing barley into Canada at competitive prices which requests were refused.

Mr. OLSON: In paragraph 3 you say:

We are against a two-price system on wheat that would bring about higher costs of feeding grades of wheat to the eastern farmer.

I think that is a fair statement, but would you be against a two-price system in so far as domestic prices apply only to milling oats or wheat? This would not interfere with your operation.

Mr. STRAUSS: It would not interfere with our operation so long as the feed grains would be in line in price, but the question is how are you going to differentiate between a feed wheat and a milling wheat? There is a very

thin line. In low trading periods in Canada during the war there were periods where we had to use good milling wheat for feeding purposes, because nothing else was available. First of all, I believe it would be uneconomical to use good milling wheat for feeding purposes, but this could happen, because under certain circumstances your market prices at times are much different to interior prices. The best example is in the United States where the United States consumer pays a much higher price than the man in India, Pakistan or somewhere else, perhaps.

Mr. HORNER (*Acadia*): Why have you put clause 3 in your brief? Have politicians or have governments promised a two-price system for wheat; is this uppermost in your minds?

Mr. McANULTY: I believe suggestions have been made, but I cannot quote the source at the moment.

Mr. HORNER (*Acadia*): But you are concerned seriously that if the government implemented this particular promise it would have a damaging effect upon your industry in eastern Canada?

Mr. McANULTY: We feel it would end up with domestic prices being higher than export prices because of the competitive situation around the world in export grains. It is conceivable we would be paying higher domestic prices or that prices would be maintained here whereas world export prices would be fluctuating, depending on supply and demand in the export market. The domestic people might be asked to take up the slack in order to meet competition.

Mr. HORNER (*Acadia*): My question arises out of what might be the reason for having this in your brief. You must seriously have thought the government is considering implementing this.

Mr. McANULTY: At the present time when a large export sale of wheat is made, the price sometimes goes down and the domestic people benefit from it. I am not suggesting this would happen, but possibly if we had a two-price system and there is a decline in the export price and the domestic remains stationary, we might not benefit.

Mr. HORNER (*Acadia*): In respect of the Russian wheat sale, it is largely believed the selling price is 11 cents lower than what it could have been sold for, but in order to make a deal and selling at 11 cents less than what it could have been sold for, it also put a ceiling price on our Canadian wheat sold for domestic use.

Mr. McANULTY: Yes.

Mr. HORNER (*Acadia*): It is a two way street we are on. We sometimes sell our wheat at below the world market; this has had a tendency to keep the Canadian price of wheat low too. The thing works both ways.

Mr. STRAUSS: I do not think the Canadian wheat board is selling our wheat at below world market prices.

Mr. HORNER (*Acadia*): I do not think they are either, but I think they have.

Mr. STRAUSS: I do not think they have done it at any time. There was a time right after the war when we had a contract with the United Kingdom in which we kept the prices fairly low. As soon as we started selling wheat on a free basis, I think we always obtained the highest price.

Mr. OLSON: I have a supplementary question. Did you buy wheat at the international wheat agreement price or did you pay class II prices for it?

Mr. STRAUSS: We paid class II prices at that time. I think it was mentioned that we were selling Canadian wheat at prices below the world market. I do not think this is the case, except in cases where we are bound by the I.W.A. agreement.

Mr. HORNER (*Acadia*): You refer to the wheat agreement after the war. In the years 1945-49, the government committed itself to a long term contract, but they were free to either commit themselves or not; this was a free exchange of ideas and the wheat sold in Canada at the contracted price which was well over \$1 below the international wheat price.

Mr. STRAUSS: I agree.

Mr. HORNER (*Acadia*): And we took a substantial loss; that is, the wheat producers took a substantial loss. I realize you have a point here. However, I am wondering why this is in the brief. You must be afraid the government is considering seriously the implementation of this particular promise which it may have made in the past. Last fall, nearly a year ago, we had the members of the wheat board before us in this committee. They admitted to me that the wheat prices fluctuated 11 cents; there was an 11 cent difference from the time of their September sale to Russia. There were newspaper clippings which anyone could pick up which stated that the long term contract taken out by the board last fall actually was cutting prices. I am not saying they arrived at the 11 cent figure; the wheat board said that. I was not very far out a year ago when I questioned them. I do not want to deal with this at length. Perhaps you are justified in putting this in if you thought the government intended going ahead with it.

In respect of clause 1 you are concerned about the situation regulating the importation of grain. What benefit do you see western Canada receiving from the freight subsidy or payments to eastern Canada?

Mr. STRAUSS: I would say in the situation I do not think without a subsidy in some form—whether in the form of grain production or whatever—that the eastern farmer could buy western grain if the freight cost is added to it. He could, but you would probably arrive at a different price structure in respect of produce like eggs, bacon or milk.

Mr. HORNER (*Acadia*): The Minister of Agriculture told us yesterday that it is quite normal and right for beef to sell at 2½ cents a pound more in Toronto than in Calgary. We have lived in this conditions. It is often considered that a subsidy on western grain comes to something like 15 cents a bushel; in other words, the government is subsidizing the purchase of western grain for eastern farmers at something about 15 cents a bushel in the case of barley. I am disputing your clause 1 in which you say the wheat board should not have permission to limit the importation of grain. So long as the government is paying a subsidy on western feed grain, then the government through the wheat board should have the right to limit the importation of grain, because there is not much use in putting in a government subsidy when all other elements in a given economic cycle are working against that subsidy. I am disputing your argument here because when the government starts paying a subsidy it is my belief that in order to make that subsidy worth while, all other elements have to work with it and not against it. If wide open importation were allowed, the subsidy might become useless. Do you see any danger in that?

Mr. STRAUSS: I see a certain danger. I would say that if we could buy grain delivered from some other country to Canada at cheaper prices, why should the taxpayer help to pay a subsidy if it is not necessary? If we can substitute the grain from the west with grain from abroad which is cheaper, we are using the economy for the farmer in the east. I think this is the purpose of this meeting. I believe it is most important to obtain for the farmer the cheapest available grain. The price of western grain very often depends on competition from abroad—for instance if we can sell western barley in the United Kingdom at \$10 a ton higher than the price was six months ago—and I do not see the reason we should continue to follow this trend and buy our

grain exclusively from the west if we can find ways and means, let us say in the United States or somewhere else, to import barley or oats, or whatever it is, at a cheaper price.

Mr. HORNER (*Acadia*): In other words, as an eastern feeder you believe it would be more beneficial for eastern Canada to do without this subsidy if they could import grain much more readily and easily? Am I right?

Mr. STRAUSS: No. I did not refer to the subsidy. I only referred to the importation. If we can get grain cheaper than the subsidized grain from the west, I think we should be entitled to import it.

Mr. HORNER (*Acadia*): The point I am attempting to make is that I do not think you are justified in asking for it both ways. I do not think you are justified in asking for a subsidy on western grain and have a wide open importation at all times. In 1960 when the west had a poor oat crop oats were allowed in from the United States at a cheaper price than the wheat board was quoting. This had the effect of lowering the price in western Canada for feed oats. Surely let us be reasonable; do not ask for it both ways. You cannot have a wide open importation relatively speaking, remove the subsidy, and then ask the government to maintain the subsidy when elements in the economic swirl of things are working against it. I think it is only right for the government to protect.

Mr. STRAUSS: I think it would be in the interest of the taxpayer, because if we see reason to import grain at cheaper prices, automatically the western grain will go somewhere else at higher prices. It is all a matter of economics.

Mr. HORNER (*Acadia*): Would you agree with me that there is some validation in the argument—and I am speaking as a western farmer—that if the subsidy were removed then we would compete with outside countries and you could import your barley from France if you so desired or your oats from the United States. Is there some validity in that argument? Can you see the point I am making?

Mr. STRAUSS: I feel this way: The western farmer will be called upon to relinquish this right of licensing importation of grain only if he can sell his grain at a better price, so indirectly he will be helped and certainly he will not be called upon, as has been the case in times of crop deficiency, to supply the east at times when it is burdensome. This is why we refer to this paragraph.

Mr. HORNER (*Acadia*): In times such as in 1961 you were allowed to bring oats in from the United States which had quite an effect on the price of western feed oats in western Canada, but you were allowed to do it.

Mr. STRAUSS: Oh, yes. Under certain circumstances we were, but it took quite some pushing to have it done; it was not just done offhand.

Mr. HORNER (*Acadia*): And justifiably so, particularly when the taxpayers are paying a subsidy supposedly for the promotion of the feeding of western grain. This is the one benefit western Canada receives from the subsidy. We are told that more of our grain is fed because of it, even though it puts anybody in western Canada who is feeding livestock at an immediate disadvantage.

Mr. STRAUSS: Would you not consider that this disadvantage largely would be compensated for by the fact that during normal times the western farmer produces his own feed which should be cheaper than what he sells to the one who buys it in the east? Furthermore, he can buy it within his province or the western provinces very much more cheaply when the quotas are not open. I am not speaking for the association now but am speaking personally when I say I believe this should give ample compensation for the subsidy which is being paid by all the taxpayers in Canada.

Mr. HORNER (*Acadia*): It does not. There was a period back in 1955-56 when you could buy grain cheaply within your own province, but not in western

Canada. Quite often Saskatchewan has a surplus of feed grain and Alberta has not, but we receive no subsidy. I have bought grain in Saskatchewan and have trucked it into Alberta—this is quite a while ago.

Mr. STRAUSS: And no subsidy on it?

Mr. HORNER (*Acadia*): No subsidy on it. Many, many farmers have bought grain in Alberta and have trucked it into British Columbia with no subsidy on it. If I buy grain in western Canada—and I will buy some this fall—I have to pay very nearly the same price as an eastern feeder has to pay, because the subsidy reduces the price paid by the eastern feeder by 15 cents a bushel. You cannot have it both ways. You are asking the wheat board to relinquish its control over importation of grain and you are also going along with the freight subsidies that now are paid out. Surely, in order to be reasonable, one must place himself at a bargaining table in a position to give and take. If you want the importation lifted, then relinquish the subsidy. Put the western feeder on the same basis as the eastern feeder.

Mr. STRAUSS: Should it be entirely at the discretion of a western body or should it be at the discretion of Ottawa? In this case the licences are entirely at the discretion of the Canadian wheat board which really is an organization to defend the interest of the western farmer. Therefore, we wonder whether it would be better to give these powers to a more neutral body.

Mr. HORNER (*Acadia*): You are justified in making that statement. The only answer I would have is, do you not think the wheat board is acting in accordance with the wishes of the government at all times?

Mr. STRAUSS: I certainly think so, but somehow blood is thicker than water, is it not?

Mr. HORNER (*Acadia*): I have made that argument in the house with regard to family syndicates. My friends did not think so, but I agree that blood is thicker than water.

Mr. STRAUSS: The three provinces in the west certainly are defended in their interests by the Canadian wheat board, and this is its duty. Therefore, would you not think it wise, in order to wipe out all suspicions in the east, to put this authority into the hands of the central government or, let us say, the Department of Agriculture, or somebody in Ottawa, or the Department of Trade and Commerce, or whoever it might be, and perhaps get the east and the west together with the wheat board to discuss this matter instead of leaving it entirely to the discretion of the other body?

Mr. JORGENSEN: Was not a liaison committee set up in eastern Canada with a view to co-operating in these matters?

Mr. STRAUSS: I do not believe it takes into account licensing for importation of grain.

Mr. JORGENSEN: I thought it referred to any problems the eastern farmers have in connection with the purchase of western feed grain.

Mr. STRAUSS: Does not the law state that it is entirely within the discretion of the Canadian wheat board to allow the importation of grain?

Mr. JORGENSEN: This is quite true, but it does not prevent discussion of this particular problem with the Canadian wheat board and ironing out any difficulties you may have and presenting your point of view and, in fact, influencing the Canadian wheat board.

Mr. STRAUSS: Do you not think that by the time we would reach that stage it would be too late?

Mr. JORGENSEN: I do not think so. It would depend on how fast you are prepared to move.

Mr. STRAUSS: There are so many different interests in eastern Canada. There are the feed grain producing areas in eastern Canada who might think differently. For example, we have southwestern Ontario which is quite a grain producing area which may think quite differently about this matter.

Mr. JORGENSON: When there was the problem of the shortage in the year 1961, this matter quickly was dealt with by the board and the representatives from eastern Canada; they quickly came to an agreement that in view of the fact of the situation here in Canada importation permits for feed grain into Canada should be allowed, and this was done to the disadvantage of western farmers, because it did tend to lower the price of grain in western Canada at that time, but we accepted that.

Mr. NASSERDEN: I have a supplementary question. Do the members of the corn exchange export barley?

Mr. STRAUSS: Let us say that the grain trade as a whole certainly does export mostly malting barley to the United States, and at times we export barley to Northern Ireland, and at times to the United Kingdom.

Mr. NASSERDEN: Generally speaking, you have been very active in the export of barley over the years; the market has been very active?

Mr. STRAUSS: Yes.

Mr. NASSERDEN: Yet you say that you think you can bring barley into Canada cheaper than you could obtain it for the eastern feeder from western Canada at the present time, but you are able to go on the world market and sell barley in competition with France and these other countries?

Mr. STRAUSS: Because regulations are so different in the countries. At the present time the United States is a very strong exporter of barley and the price of barley has decreased considerably from August until the middle of September. All of a sudden the price came up very strongly. In spite of this heavy export accomplishment of the United States, the United States is importing barley from France which is subsidized, and they do not need a special licence to import it. All they have is a 7½ cent duty. This French barley, which by a bare fluke arrived in excellent condition during harvest time, is giving heavy competition to our Canadian malting barley which, as you know, we ship to the United States. Very often other countries are ready to subsidize feed grains very heavily for export for reasons of obtaining foreign exchange or for some other agricultural reason. Very often you have the situation where you see barley from the United States in the same steamer with barley from France. The same barley goes back to Europe. It may go to Belgium at a place ten miles away from the territory from which the malting barley was shipped.

Mr. NASSERDEN: You have proven the point that governments are interested in the movement of grain when it is subsidized.

Mr. STRAUSS: Yes.

Mr. NASSERDEN: And that is why it is necessary for the Canadian wheat board and the Canadian government to exercise some control with regard to a permit.

Mr. STRAUSS: We are not against any permit system; we are not against regulation of the trade, as such. I think we need the wheat board and we need the government to keep the trade fluid. What we would like to see is a neutral body as such. We have a big country from east to west. This is why we thought we would bring this point in.

Mr. HORNER (*Acadia*): You feel that the Canadian wheat board which is under an eastern Minister of Trade and Commerce is not neutral enough in regulating the importation of grain?

Mr. STRAUSS: I would not want to put it as drastically as that, sir. We would feel more comfortable if it were a neutral body which would neither favour east nor west, and by law the wheat board is obliged to favour the western farmer.

Mr. HORNER (*Acadia*): But the wheat board carries out the direct wishes and command of the government at all times. I would like to think that. Certainly you do not think the government is favouring any particular segment of the country?

Mr. STRAUSS: I think you are right; I do not know. I have forgotten the exact wording of the Canadian Wheat Board Act, but I think it is a marketing agency for the western farmer and therefore it has to take advantage of all that is of interest to the western farmer. We do not take any exception to the wheat board handling import licences; but we would like to see it done in an absolutely neutral way. I gave you the reasons we feel this.

Mr. FORBES: May I ask a supplementary question? Mr. Chairman, Mr. McNulty indicated that the western farmer has some advantage over the eastern farmer in respect of the price of feed grain. I would like to prove that this is not the case. At the present time, feed barley is subsidized to the extent of 19.2 cents a bushel. If you take the history of a bushel of barley at Fort William at \$1.09 a bushel, the first cost, in getting it loaded on a ship, is 2.84 cents a bushel. Next comes 10 cents a bushel to get it to Montreal, plus a fraction of a cent in insurance and vessel brokerage. The total so far is about \$1.22 a bushel. If the grain goes into an elevator in Montreal on November 14 and is not taken out until March 20, the storage cost is four cents a bushel. Loading it on a railroad car takes another 1.47 cents a bushel. Getting it to, say, Granby, Quebec, costs 7.2 cents a bushel. The new total is about \$1.35 a bushel. At this point, deduct the charges paid by the federal government—the storage of four cents a bushel, plus freight assistance totalling about 19.2 cents a bushel—and that leaves about \$1.12 a bushel.

Let me quote the prices at Dauphin, Manitoba, if Mr. Pascoe got a load of feed barley in. He would pay the interest plus three cents a bushel which is exactly what it is to the eastern feeder. The eastern feeder has an advantage of 2½ cents on beef and about the same on hogs, and he has an advantage of nine or 11 cents on eggs. Surely this offsets any advantage the western farmer has. I do not think we enjoy any advantage in western Canada which you do not have in eastern Canada. I am wondering exactly what eastern feeders want.

Mr. STRAUSS: May I ask how you arrive at the figure of 1.09 as the cost of barley?

Mr. FORBES: This is the price quoted last fall. If you go back over the history of the committee you will find that these figures were put on the record by the officials of the Canadian wheat board.

Mr. STRAUSS: The present figure is closer to 1.22 in store Fort William.

Mr. FORBES: Here is the price on Wednesday, September 30: Wheat board prices at Fort William-Port Arthur, No. 1 feed barley, 1.18. This same principle would apply in western Canada; it would be just less the freight to Fort William plus handling charges.

Mr. HORNER (*Acadia*): With regard to clause 4 and the eight cents per bushel duty on United States corn coming into Canada, have you in any of your representations in respect of this eight cents duty on corn ascertained why it was put on and why it was kept on?

Mr. STRAUSS: I would be very interested in hearing your views.

Mr. HORNER (*Acadia*): I am asking you.

Mr. NASSERDEN: It is you who is suggesting it be taken off. You must know why it was put on.

Mr. MCANULTY: We would assume it was put on mainly to protect the domestic grower of corn, principally in southwestern Ontario where they produce approximately 40 million bushels. This duty, as I understand duty or tariffs, of course is a source of revenue for the government and also a protection for the domestic grower of grains. I would assume, therefore, that this eight cents a bushel is for the protection for the area where the bulk of it is grown which is in Ontario.

Mr. MCBAIN: Is it not a fact that it is put on also because United States corn is subsidized by the United States government?

Mr. MCANULTY: Possibly you are right there.

Mr. HORNER (*Acadia*): So, there are many facets in the argument of why it should be kept on.

Mr. STRAUSS: There is another thing. When it was put on I am sure our dollar probably was at a premium while right now it is at a discount of about 7½ per cent which is equivalent of about 10 cents a bushel, and this puts the eastern farmer at some disadvantage.

Mr. HORNER (*Acadia*): How?

Mr. STRAUSS: Because if he is allowed to import corn from the United States, besides the eight cents a bushel duty he pays another 10 or 11 cents a bushel for exchange.

Mr. HORNER (*Acadia*): I just want to get this clear. You say it puts the eastern farmer at a disadvantage.

Mr. STRAUSS: The eastern feeder.

Mr. HORNER (*Acadia*): That is better. I would say it would be a direct benefit to the eastern farmer who is growing corn.

Mr. STRAUSS: To the corn growing farmer it is.

Mr. HORNER (*Acadia*): It is a direct benefit.

Mr. STRAUSS: It is a direct benefit to the corn growing farmer, but I do not think it is to anybody else.

Mr. HORNER (*Acadia*): What charge do you make in the handling of United States corn in turning it over through the corn exchange?

Mr. STRAUSS: The exchange, as such, is not handling corn. The corn exchange is an association which is there for the protection of its members, and the handlers of grain of course are members. We charge about half a cent a bushel.

Mr. HORNER (*Acadia*): This is a total charge including carrying charges and everything else which is involved?

Mr. STRAUSS: You cannot carry grain for one cent a bushel. This is a margin of half a cent a bushel.

An hon. MEMBER: Profit?

Mr. STRAUSS: Profit.

Mr. NASSERDEN: It is a commission.

Mr. STRAUSS: No.

Mr. NASSERDEN: In a rough sense it is.

Mr. STRAUSS: No. It is a margin of profit and is between one quarter to one half cent a bushel I would say. This is a margin of profit which is different from a charge, because the importer assumes all responsibilities of shipping, taking on the risk of shipping, water transportation and train transportation.

Mr. HORNER (*Acadia*): Here again, though, you are asking for a removal of protection to the farmer in a sense, in this case the southwestern Ontario farmer; am I right?

Mr. STRAUSS: Yes; we are interested in cheap feed, as you can see, to protect the farmer in the east. This is a situation with which we are faced

every day. I have gone through a few of the briefs which were presented to the committee. I have seen that there were many complaints to the effect that feed in the east is too expensive. I dare say that any member of the corn exchange could throw its book wide open to show that nobody is being overcharged for feed. I dare say that Ontario corn coming to Quebec—and it comes there without a subsidy—is rather expensive. I think in the greatest part all Ontario corn goes to industries like the starch industry and the distilleries.

Mr. HORNER (*Acadia*): You say that you see evidence of too much being charged for feed.

Mr. STRAUSS: Yes.

Mr. HORNER (*Acadia*): In your viewpoint, in eastern Canada does the grain reach the farmer in its whole state or in its milled state with concentrates added?

Mr. McANULTY: Both ways, sir.

Mr. HORNER (*Acadia*): What would be the percentage?

Mr. McANULTY: I do not have any percentage figures with me, but I would say the majority would be in a balanced ration.

Mr. HORNER (*Acadia*): Would you agree that most farmers who buy corn, whether buying United States corn or western feeds grain, buy it with concentrates added to it in the milled form?

Mr. McANULTY: This is true—feed with concentrates.

Mr. HORNER (*Acadia*): In buying it in that way there is a labour element added to it—the grinding—and the high cost of the concentrates. Am I right?

Mr. McANULTY: No. There again you get back to the cost of ingredients. Of course, it is more convenient for the farmer to use it this way. In most cases he has to supplement the corn with a concentrate or he buys a balanced ration, depending on the type of livestock he is raising, or whatever is convenient to him; or he might have a certain amount of domestic grain which he wants to mix with the concentrate or supplement.

Mr. BEER: On a point of order; I think some other members of the committee might like to ask some questions. The hon. member has monopolized the questioning for 30 minutes.

Mr. HORNER (*Acadia*): On that point of order, Mr. Chairman, I have been quite generous. A number of members have interrupted me. I have not tried to monopolize the questioning in any way, shape or form. A number of members have interrupted me. I have only a couple more questions.

The CHAIRMAN: I think Mr. Horner's questioning has been helpful this morning. I appreciate that it has been lengthy. I am in the hands of the committee. I am not unmindful of the rights of other members of the committee. However, it is very difficult to interrupt when a member is pursuing a line of questioning, and I am very hesitant to curtail any hon. member so long as his questioning is relevant, and I think Mr. Horner's questions have been. I hope, Mr. Horner, that you may be able to conclude your questioning quickly. The committee may have to decide later whether or not we wish to sit this afternoon.

Mr. HORNER (*Acadia*): With regard to feed grain prices, do you agree with me that the eastern farmer compares the cost of his feed grain ground, with concentrates added, to the cost of feed grain which the western farmer pays without all this done to it? Let us compare feed grain in western Canada milled with concentrates added with feed grain in eastern Canada milled with concentrates added; let us compare like to like. This is the reason I ask in what form is this United States corn and western feed grain most often bought? There is another point with regard to clause 5, domestic storage in eastern elevators. Do you think there is enough elevator space for domestic storage in eastern Canada?

Mr. MCANULTY: There has not been in the past, but the situation is easier now with the additional new elevator at Montreal. In the past there has been a congested situation there.

Mr. HORNER (*Acadia*): Has any party, co-operative, or syndicate established storage for its own use?

Mr. MCANULTY: There is only one elevator in the Montreal area, to my knowledge, the Dominion, owned by the co-operative in Quebec.

Mr. HORNER (*Acadia*): That is the only one?

Mr. MCANULTY: The only one to my knowledge.

Mr. HORNER (*Acadia*): Would it be at all helpful in the eastern storage problem if, shall we say, local co-operatives were established in certain areas in which they could buy their feed grain in the fall of the year—suppose a number of farmers in and around a small town got together and bought their feed grain in the fall of the year when it had come down the lakehead through the lakes by water transportation, put in an elevator and sold it out to their members on a co-operative basis—would this be of any benefit to the feed trade in eastern Canada?

Mr. MCANULTY: Personally, I do not think so. I do not think this will solve the problem we are talking about here today. Storage is only a part of it.

Mr. HORNER (*Acadia*): But you have complained that supplies are limited at the lakehead. If you could buy supplies all summer and fill the eastern elevators up all during the summer, I am sure with more elevator room and more storage space in eastern Canada there would not be quite such a demand. You would not be caught in quite the bind you sometimes are caught in with regard to supplies at the lakehead. Do you see the point I am attempting to make, or do you think storage is adequate in eastern Canada?

Mr. MCANULTY: I would say at certain times of the year it is. In the past in the fall it has not been adequate, but this has been due to a couple of things. It is true a certain quantity is brought in for the winter and naturally it is left as late as possible because of the cost of carrying and the market risk involved.

Mr. HORNER (*Acadia*): And the shortage of storage space.

Mr. STRAUSS: I believe there always will be storage problems even if they built a dozen elevators.

Mr. HORNER (*Acadia*): I am talking about getting to the local farmers and allowing them to form a syndicate or co-operative and put up their own storage.

Mr. STRAUSS: This would mean financing and distribution and quite an organization. With the farm co-operative at its present level this would not be accomplished easily.

Mr. HORNER (*Acadia*): You are saying that because of the financing involved it is difficult to form something like this?

Mr. STRAUSS: The distribution.

Mr. HORNER (*Acadia*): If the local co-operative set up its own feed storage unit, I believe it would handle the distribution relatively easily.

Mr. STRAUSS: Would it be economical to build such storage? In eastern Canada, to build an efficient elevator the cost is between \$2 and \$4 a bushel.

Mr. HORNER (*Acadia*): I know that.

Mr. STRAUSS: I think it would be uneconomic.

Mr. WHELAN: In respect of your last statement, I believe how much it is to cost per bushel depends on how big the elevator is. It can be as low as 50 cents a bushel if your unit is big enough.

Mr. STRAUSS: I agree, but where would you build such an elevator which would be centrally located and where you could reduce the cost of the building to 50 cents a bushel?

Mr. WHELAN: I can show you elevators in Ohio which cost 40 cents a bushel. There is a new style of elevator which could be built any place in eastern Canada for 75 cents a bushel.

Mr. STRAUSS: I know the elevator to which you refer, but this was built under very special conditions by a father with five sons who do not count their time or work; this is how they arrived at a price of 75 cents a bushel.

Mr. WHELAN: I should say I spent some time studying the feasibility of building elevators in eastern Canada. I am quite aware of the cost of elevators. First of all, I would like to ask how old is the Montreal Corn Exchange Association?

Mr. McANULTY: One hundred and one years.

Mr. WHELAN: Have you ever presented briefs like this to any previous agricultural committee of the parliament of Canada?

Mr. McANULTY: Not to my knowledge.

Mr. STRAUSS: It could have been done on a previous occasion when there were different members on the exchange.

An hon. MEMBER: Things have not been so bad for farmers in eastern Canada before.

Mr. WHELAN: You just did not realize up until this time that things were so bad for eastern farmers.

Mr. STRAUSS: We certainly realized it.

Mr. WHELAN: You spoke about the price of barley that you probably could bring in from France. In your handlings of grain or manipulation of grain in the market, if you make a good deal do you always pass it on to the consumer or the feeder in eastern Canada?

Mr. STRAUSS: Definitely. Competition takes good care of this.

Mr. WHELAN: The prices of feed do not fluctuate that much.

Mr. McANULTY: The price of feed does fluctuate quite a bit. In fact, there is no relationship between the finished product and the ingredients. Marketing conditions cause some of the problems. Sometimes the farmer finds that his broilers are down below the price of production. In many cases, the feed manufacturer takes a beating in order to keep these people going.

Mr. WHELAN: If in mixing, say, turkey feed you have a lot of cheap barley or cheap corn, through buying on the market, you do not pass it on necessarily to the turkey feeder?

Mr. STRAUSS: We will always pass it on. There is enough competition in the feed business. There are many small feed mills in the country. If you have a bargain, your competitor probably has the same bargain and he might pass it on if you do not.

Mr. NASSERDEN: Is it not a fact that the price of the grain itself in a finished feed or supplement actually is a minor cost in arriving at the final price of your product?

Mr. McANULTY: I would like to say it is minor. I would say in some rations you get a 50 or 60 per cent grain content.

Mr. NASSERDEN: Three or four cents a bushel on that will not reflect in the final price of your product to any great extent.

Mr. McANULTY: Of course, today when you are raising poultry you are getting down to a fraction of a cent in income. I am not saying some other ingredients could not influence it.

Mr. NASSERDEN: It is not likely to make more than five or ten cents 100 difference on your finished product; it would not make that much difference.

Mr. WHELAN: The margin in Canada is so low for the farmer that these things have a great effect on his return if he is going to make anything. You were talking about supplies of feed grain. Would you say that particularly last year the supplies of feed grain in eastern Canada have been better than ever before?

Mr. STRAUSS: Yes, I would go along with that.

Mr. WHELAN: On the two price system that we are definitely up against now in Ontario, we have a two price system for winter wheat, and we were forced into it by the trade, because even with high-class pastry flour, we always get a low price, a feed wheat price for it. We were never paid a higher price for high-class pastry flour wheat. I sat in on the negotiations and heard the millers say that we would pay \$2.25 a bushel for that wheat, and it would not cost us any more if we knew that every miller would pay it, and that we could well afford to pay it for this milling and pastry flour. But we were forced into this two price system, and it has worked out fairly successfully. It is not government subsidized. It is subsidized by the producers themselves; that is to say, it is 15 cents plus one cent for marketing board costs; there are a great many commodities in Canada which have a two price system, that is, a different price for export and for domestic use in Canada.

Mr. STRAUSS: We really say, first of all, that the two price system would have to be legalized by the Canadian wheat board because they are making the final decision for wheat, oats and barley. It would not really be in our information, but we feel any such change as this could be detrimental to the country's feed trade. I do not know. I have not seen the figures on winter wheat in Ontario; but I do say that at times winter wheat has to be sold below the cost price, and has to be subsidized.

Mr. WHELAN: It is the producer who subsidizes it.

Mr. STRAUSS: I do not know to what extent the producer will be reduced in his final price per bushel at the end of each accounting year. I wonder if it could be worked out from the price which was obtained before.

Mr. WHELAN: The price of prairie wheat now is higher than it has been since 1949. I have the price of our Ontario wheat.

Mr. STRAUSS: We could say the same thing about western wheat, too.

Mr. WHELAN: It was \$2.25 a bushel in 1949 and it is \$1.05 now.

Mr. JORGENSEN: I hope you do not suggest that the Canadian wheat board would have the final say in determining a two price system. I hope you are not suggesting that the Canadian wheat board was responsible for what happened to Canadian wheat.

Mr. STRAUSS: No, no, I just gave it as a comparison of prices.

Mr. WHELAN: Getting back to the marketing of cheap grain, I believe with our way of life in Canada, that our agriculturists are the most efficient producers in the world. I have visited many parts of the world. If our people are to have the standard of living we think they should have as agricultural producers, can we buy agricultural products where they have slave labour? We have had grain buyers who have done this type of thing. I am thinking of several areas where they produce corn. I notice you say that the duty on American corn should be taken off and that the commodity you are buying is corn. If you are buying it in the United States, it is corn produced outside the quota in the country, and they do not get any subsidy from the American government; it is just corn which is thrown on the market for whatever they can get. In southwestern Ontario we have to compete with this type of importation in an industry which is expanding, and in which we spend

millions and millions for facilities, and in which we are still spending millions every year, if our corn growing area in Ontario is to have further improvement through better strains and hybrids. This is something I cannot understand.

I cannot understand people representing the grain trade even suggesting this type of thing. Certainly we do not allow it for our other types of productivity. The producers here put up machinery and make investments in order to produce a certain type of commodity when they think there is a chance of marketing it. But because the article is cheaper, we import the thing, when nine times out of ten the advantage is not passed back to the consumer. Whether it be feed wheat, or whatever it is, the consumer does not get the benefit of that price. I challenge anybody to show me that it would be possible under the terms of these import contract agreements for anyone to get an advantage. But it does not hurt our feed industry. It is the same thing that you are suggesting here, as it is with the producers of corn in southwestern Ontario. They are not entitled to this $8\frac{1}{2}$ cents duty. This is away out of line as far as I am concerned.

Mr. STRAUSS: I am sorry if I differ somewhat from your opinion. We would prefer to buy corn from southwestern Ontario producers if we could. But I dare say that in most instances corn is not available at a price which makes our feed competitive. I think as we are all sitting here we are more concerned actually with the well-being of the eastern farmer. I think the purpose of this committee is to find out what can be done to help the western farmer, the southwestern Ontario farmer, and the eastern farmer, no matter where, because he has to make a better living. We take it from one and give it to another. It would be very nice if we could do it; but I would think for a farmer in the east, where we need to have corn at the cheapest possible price, having regard to the broiler industry which has developed tremendously in the last few years, one of his main concerns is to get corn. We do not want to import broilers from abroad. Broilers are the cheapest meat available on the market. We need corn at the cheapest price to produce it. I think this refers to only one thing, grain. We find that we use from 30 per cent to 50 per cent of grain in rations. I wonder if we are not diverting a bit from the main subject. It is that we have proven in the west, for example, that the wheat board has helped to a great extent to regulate the movement of grain in the west.

We in the east have an entirely different problem. I wonder if it would not be much more important to find out whether we can regulate the price of the finished product of the farmer instead of harping on grain, which is only a portion of the finished product. I am referring to any type of produce. We are only taking a look at certain segments of the product. But if we consider the question as whole, I should think that if you committee would look into the matter of the final finished product, it would decide whether a similar board could not be set up to regulate the produce of the farmer, for the finished product, in the same way as the Canadian wheat board was established. We might have a produce board regulating prices and comparing the cost of production to the consumer with the prices, and setting limits not to encourage over production, but giving a certain limit in farm quotas, and anything produced over the quota would be discouraged automatically.

I think there are plenty of ways and means whereby we could do a much better job than just to harp on grain.

Mr. WHELAN: I am a strong proponent that there should not be any gambling in food stuffs for human consumption, and that there should be a far greater return guaranteed to the producer for his product. I visited a country last year where they did not have independent farms anymore to a great extent. They just have large state farms, and even there the small farms are still

producing, although with very inadequate equipment, yet they are producing 50 per cent of the foodstuffs for that nation. The large state farms are not producing nearly what they should be producing because the incentive has been taken away from them. We should maintain this way of life and maintain an incentive for it. I agree that the grain trade is a fairly well controlled thing, but as a small grain trader, and a blender, I know how they can blend grain and get whatever they want out of it. We have been assuming that the grain blender was much more important than the broker, and that he knew what he was doing with the blended grain. I think it is true, that he could take different grades and mix them. We have watched them do this in the elevators, and in my study of elevators; he is a highly paid and skilled man.

Mr. HORNER (*Acadia*): But it is against the law to do it.

Mr. WHELAN: I know what they do.

The CHAIRMAN: Order, order.

Mr. WHELAN: The very fact is that grain production in eastern Canada, especially in the area I come from in Ontario, is on the upgrade. I cannot for the life of me see the reason why this cent a bushel should be taken off grain for anyone. What do you think about it, when for a couple of years the government saw fit to subsidize corn for eastern Canada? It seems to me that as far as the American corn surplus is concerned, they treated it the same as Canadian produced corn. At that time we had a lot of corn. It was not so high priced, but there was a lot of it. Do you approve that type of operation?

Mr. STRAUSS: No. We should have an examination of this question first before we refer to imports or subsidies or import duties. I believe that the question of grain is only a fragment of the question as a whole. Therefore I respectfully suggest that maybe you should study or someone should study a bit more carefully what can be done for the producers both in the east and the west to normalize what they produce and to give them a better return. Unfortunately the producer of certain products is left wide open. He may take six months to produce a product, and then he does not know what he will get for the finished product. He does not know what he is going to make out of it, when he buys piglets, unless he gets his grain under a contract.

Mr. WHELAN: You say that the ills of the eastern farmer are mostly brought about because they have no way to know the cost of their feedstuffs. This is a very positive statement. I think the western farmers know that we have no guarantee. The thing I would point out here is that I feel that the farmers of eastern Canada are the largest gamblers in the world. I received a lot of letters against granting or legalizing lotteries. But I put it to you and to other members of the committee that the farmers of this nation are the biggest gamblers of this nation, and they are providing this nation with the cheapest foodstuffs with their earning power, foodstuffs cheaper than in any other nation in the world.

Mr. MCBAIN: My question is on storage facilities in the Montreal area. Just last fall around this very time I had considerable correspondence with a feed dealer who complained that there was not sufficient storage at the national harbours board elevators in Montreal especially for Ontario corn. I recall his complaint that imported corn received unloading preference over Ontario corn. What is the position at the present time?

Mr. STRAUSS: As you well know, the national harbours board has to abide by the law which is governed by the board of grain commissioners. Unless there is a special licence issued the grain which is being presented to a licensed elevator has to be taken in first, first come first served, on that basis.

Mr. MCBAIN: How many bushels of storage space is available at the present time for corn?

Mr. STRAUSS: I do not think there is a firm amount of storage in bushels available for Ontario corn or for American corn. Anyone who buys corn, who presents a ship, or a railway car, as soon as there is freight space—the corn will be taken into the licensed elevator. You can bring corn into a private elevator by special agreement.

Mr. McBAIN: How was Ontario corn received in Montreal, by rail, truck or boat?

Mr. STRAUSS: Ninety nine per cent was received, I would say—unfortunately there were some complications last year if I remember well, and it was a question of quality. It does not depend on the Ontario farmer. The weather was not with him. But there was great difficulty storing that corn. There were probably certain defects, but this is something of which I am not aware.

Mr. GAULIN: The trouble had to do with cooling the corn. The quality was there. I have seen cars of corn loaded, and five days after, there were germs on the corn, something which very seldom happens.

Mr. McBAIN: I think this was the gist of most of the complaints.

Mr. GAULIN: On the whole I think last year it worked out fairly well in Montreal, and I think it will work well this year too.

Mr. McBAIN: A little while ago it was brought out that Ontario corn was not available in sufficient quantity to meet the needs of the Ontario feeders. What is the reason for it? This year we expect to have the largest corn crop ever in southwestern Ontario. It seems to me that if the eastern feeder wants cheaper feed, facilities should be provided to accept Ontario corn which is now being harvested, and that this would be the cheapest time of the year to have that corn. It seems to me that if we have storage facilities for corn available from Ontario, additional facilities might be provided this year over last year to handle this corn.

Mr. STRAUSS: I do not think it is necessary, because if Ontario corn is being offered at equal prices, or at competitive prices, it will be obtained, and it will be brought in to Montreal and stored at Montreal. There is no problem there.

Mr. McBAIN: Can you give me at present the price of Ontario corn delivered to Montreal, and of American corn? What is the difference in price?

Mr. GAULIN: I would say it was \$2.62 for Ontario corn, and 20 cents more for American corn.

Mr. McBAIN: How many bushels last year were used of each, Canadian corn and American corn at the Montreal exchange?

Mr. GAULIN: Last year was the best year for Ontario corn in Quebec. That is my opinion.

Mr. STRAUSS: I think in the early 50s Ontario had a very good crop, and we bought a lot of No. 1 Canada eastern corn that year, and it even took preference over American corn. It is very often a question of quality and supply. There are certain problems in Ontario to get supplies when they are needed. They do not have the terminal facilities such as we have out west or in the United States. The cheapest transportation is by water, even if the railways now have lower tariffs into eastern Ontario and Quebec as well as into the maritimes.

Mr. McBAIN: Do you export any corn through your exchange?

Mr. STRAUSS: We would like to export Canadian corn if we could, but we are automatically at an eight cents a bushel disadvantage.

Mr. McBAIN: Do you buy American corn for export?

Mr. STRAUSS: We do.

Mr. McBAIN: You mentioned the thought behind the committee was to endeavour to provide cheaper feed for the eastern feeder. I think this is probably put on as protection, I mean the seven cents duty for our domestic corn

grower. We think we have to make a little profit in western Ontario as well as the eastern feeder. We appreciate what you are trying to do, that is, to provide cheaper feed for the eastern feeder. It seems to me that our corn grower in southwestern Ontario has to have a reasonable profit to produce corn to sell to eastern feeders, and there is 20 cents a hundredweight difference in the price which I think you mentioned. Do you still feel this would be a disadvantage to our Ontario corn grower to have it removed? Would it necessarily lower the price of Ontario corn to the eastern feeder?

Mr. STRAUSS: We feel—and I think I speak on behalf of the whole committee here—that if ways and means could be found to find an equitable return for the eastern feeder—this includes eastern Canada and—I would say that any part east of the lakehead—we would be satisfied. This was not agreed upon before, but I am sure that I speak on behalf of the Montreal Corn Exchange when I make this statement.

Mr. MCBAIN: Do you feel that automation has entered into the world of agriculture to the extent that it has made it practically impossible for a family farm to compete with the large producer? There was a chap at my place last year who told me that he had recently seen a film produced by Ontario Hydro showing how a farm had become automated. It was an egg producing plant where they had some 10,000 layers. The feed was not touched by hand. The eggs were delivered from the hens by a conveyor belt to the weigher, and then into crates. The only thing done by hand was to lift the crates from the floor below to the truck. With this kind of plant in the case of corn, it is a satisfactory operation at small cost to produce per egg, and it means that a family farm with a few hundred layers cannot compete with this type of operation, and that this is the difficulty our eastern feeders and farmers are in at the present time, who have to compete against the large growers of farm products.

Mr. STRAUSS: I would agree that we are living in a time of transition, and that this applies probably to every industry right now. This is where automation has brought us.

The CHAIRMAN: Now, Mr. Vincent.

Mr. VINCENT: I would like to refer to article 6 on page 2 of your brief where you say that grain subsidy is being paid out of public funds, and that it must continue to be administered by the government and not by any outside agency. This is the only place in your brief where you speak of an agency. Would you tell us what you mean by "outside agency"?

Mr. MCANULTY: I think what we are concerned about there is that we are not saying that the wheat board or a similar organization should get into it, but some agency like this: We feel that the policy would be better administered the way it is now rather than to put some organization of government outside the direct administration of government into it to handle it.

Mr. VINCENT: Does that mean that your organization may be opposed, or does not wish to see a corporation or a government special agency get into it?

Mr. MCANULTY: What is that?

The CHAIRMAN: Would you please repeat?

Mr. VINCENT: Does that mean that you are not opposed to it, and that you would wish to welcome the possibility of the government or a special agency in eastern Canada to be established in connection with feed grain?

Mr. MCANULTY: I do not see what purpose it would serve. This question has been put to me before on many occasions. I would like to know what purpose it would serve. We know some of the problems with which the distribution of grain and other food ingredients are faced, but we have yet—personally I have to be shown or satisfied that it would accomplish something to have an eastern agency. What would it accomplish?

Mr. VINCENT: You do not think that this agency might do something for eastern agriculture?

Mr. McANULTY: I have to be satisfied that it will do something. Nobody has shown me or explained how it will solve some of the problems we have talked about here today.

Mr. VINCENT: When you speak in this paragraph about freight subsidy, do you include in it the storage subsidy, when you say that the freight subsidy policy being paid out of public funds must continue to be administered by the government and not by any outside agency? Do you include in it storage subsidy?

Mr. McANULTY: I think it is part of the same thing.

Mr. VINCENT: The Montreal Corn Exchange Association is associated with the co-operative in Quebec?

Mr. McANULTY: Yes.

Mr. VINCENT: There is nobody present from this co-operative here today?

Mr. McANULTY: No.

Mr. VINCENT: We had a brief from them last October, on October 18, 1963, and in their brief they were asking the government to create a special agency in the east, and they said that such an agency should be established by the federal government and designed to protect the interests of the farmers, the consumers of feed grain in eastern Canada, and they asked that they control the supply, and administer a program dealing with freight and feed assistance. Now, let me reverse this and ask you this question. Let me say that they were asking that this agency administer a program of subsidy for storage and feed grain. We have been sitting in this committee since last fall, and we have had a number of briefs from various organizations. We had one from the organization representing the farmers of the province of Quebec, and in the same brief the co-operative asked the government to do something about it. Now we have another brief from the Montreal Corn Exchange of which your association is a member, and they are asking exactly the contrary from what they asked last year.

Mr. McANULTY: I do not think we have mentioned that we are against any proposal that some other organization or group of organizations has made. Personally I have yet to be shown or satisfied, or to have it explained to me what this agency would accomplish. There is need for co-ordination of facilities and factors in this particular field, and there are many things which enter into the situation, such as types of storage space, or premiums paid, or what have you. What is the formula to be? I do not know. If there is to be a co-ordinator, would he have a particular power? But there is need at times for some co-ordination, because we have a wheat board; and there is the matter of export grains, domestic requirements, elevator space, vessels and water carriers, and there are so many parts of the over-all distribution system that sometimes need to be tidied up, or need tying together. The trade can do it to a certain extent, but there has been some need for a co-ordination of these facilities. Beyond that point I cannot go. I am waiting for someone to explain what the purpose of this will be, I mean of this eastern agency, and what it would accomplish. I am not against it, but I would like to know what it will do.

Mr. NASSERDEN: You have suggested that the Canadian wheat board has protected the western farmer. Why would you object to a similar organization protecting the interest of the eastern farmer in this manner? They would do the same jobs, would they not?

Mr. McANULTY: There is a need for some co-ordination in the east. What form it might be, I do not know. But there is a need for some co-ordination.

Mr. STRAUSS: I agree with you wholeheartedly. The only thing is that it should not be done merely with grain. How do you want to have the government regulate the eastern feed buyer and the western wheat buyer? I think they would be working in exactly opposite directions. From that point on, they could never accomplish anything. I believe it is the finished product which should be regulated, but this is not grain in the east, not the receiver of grain in the east. This is the produce. I believe they could do it this way: They could give the farmer certain guarantees in the west whereby he can realize that he would not have to meet the same problems again.

Mr. VINCENT: A special agency like that in eastern Canada in your opinion would not do the work that the farmer wants it to do; the farmer in eastern Canada claims that if they have a special agency like that, it might help them to get the grain at a better price, and also to get the grain into storage at Montreal or at Prescott at a time when it is cheaper. So this agency would not do that work. The work is better done right now by the brokers and the trade.

Mr. STRAUSS: I think we are getting away from the main question. If you want to help the eastern farmer you must do something about helping him in a different way than with grain. You cannot help the eastern farmer with western grain only. It would not aid him.

Mr. VINCENT: The question of western grain is only part of the thing, it is only one wheel of the cart.

Mr. STRAUSS: Yes.

Mr. VINCENT: I remember when this whole question came up in 1961; and somebody came along and said that the grain was too expensive, and could the government not do something about it. During that time the farmers were paying a very high price and they thought that the government was not doing anything about grain. So the question came back to parliament, and parliament is seized with this big problem which is more in the minds of the farmers now, because everybody in Montreal was critical of the government at that time about doing anything with grain. But now we are trying to do something about it, and somebody comes here and tells us that this is not the big question. You will remember in 1961 and 1962 when we went into Quebec, they were speaking about grain.

Mr. STRAUSS: In 1964 I think most of this question has been eliminated partly by the wheat board, partly by the government and partly by additional supply of storage. You have not got the same problem today that you had in 1961, and you will not have another three years from now.

Mr. VINCENT: You say now that the price of grain is lower than it was in 1961 and in 1962.

Mr. STRAUSS: I have not looked at the statistics. Maybe somebody would look them up. It depends entirely—I am sorry to repeat myself so often, but in the final product of the farmer this is what should be considered, and it is that grain is just one of the small ingredients that he works with. You want to make sure that the farmer in your constituency gets a good return for his product. But even if grain were three, four, or five cents a bushel higher, I venture that this would not be the biggest difference. It would naturally contribute to his loss, but it would not be the biggest difference. You referred to regulating or putting in an eastern feed board, or whatever you may wish to call it. I think you should first start out with an eastern Canada produce board and find out the relationship of the grain to the other ingredients which we draw from our own farms, or the farms in western Canada and the farms of Ontario; I mean the protein and mineral ingredients, and then add up the net price to find out what the farmer gets for his final product, and from there you could regulate the price of feed in comparison to the price of the finished product.

What happened in 1961 was a terrific commotion, because I think there was too much grain to be handled in eastern elevators which did not move. Probably it was wheat. So that when fall came along, we had to pay high transportation charges to bring grain into position. This is what increased the price of grain, whereas the price of products like hogs, and broilers have not varied accordingly. You cannot always co-ordinate one with the other. The Canadian wheat board has one price for barley or oats for consumption abroad, and we can get rid of our oats in the United States. We sell our oats over there, and our oats in the east are going to be in demand for feeders and poultry on the market. That is an important question.

Mr. NASSERDEN: I move that we now adjourn until after lunch, and come back whenever you like, because some of us have to go at this time.

The CHAIRMAN: Our witnesses advise me that they are able to stay this afternoon. Does anyone have any further comment? Is it the wish of the committee to adjourn? I think we might finish with Mr. Vincent's list of questions, and this will not run us too much longer. Could we agree now to adjourn until 3.30 or 4 o'clock?

Mr. ÉTHIER: I just have a couple of short questions to ask.

The CHAIRMAN: I do not think we should try to rush it, because we have been rather lengthy in places, and I think we should come back again.

Mr. WHELAN: We have a very important bill before the House of Commons, and unless it is passed this afternoon, there will be many who cannot come back here.

The CHAIRMAN: Can we agree to come back, let us say at 1.30 and sit until 2.30, or should we wait until after orders of the day?

Mr. JORGENSEN: I have some questions I would like to ask too.

The CHAIRMAN: Let us make it three thirty then.

The committee adjourned until 3.30 o'clock.

AFTERNOON SITTING

TUESDAY, October 6, 1964.

(Text)

The CHAIRMAN: If the committee will come to order we will proceed with the afternoon's session.

At this time I would like to review the questioners. I have Mr. Vincent, who has not concluded his line of questions, Mr. Éthier, Mr. Ian Watson, Mr. Alkenbrack, Mr. Lawrence Watson, followed by Mr. Jorgenson, Mr. Cyr and Mr. Asselin.

Will you continue with your questioning at this time, Mr. Vincent?

(Translation)

Mr. VINCENT: I intend to keep on putting my questions in French. Is the interpretation system working properly? Shortly before the noon recess, we had touched on the question of a special agency for feed grains for Eastern Canada and British Columbia. In my opinion, I believe that this was the main reason why this committee was set up last year; we sat until December and we resumed our work to-day on this matter of feed grains. Last year, we heard observations from such farmers' representatives as the U.C.C. in the province of Quebec, the Federated Co-operative, the Canadian Federation of Agriculture, and we also received a brief by the Maritime Co-operative Services Limited, and in each of these submissions the Federal Government was asked

to set up such an agency for Eastern Canada and British Columbia, its function being to administer a system of aid in the transportation of feed grain, to administer the program of grants for the storage of feed grain, to assume, when the time is right, responsibility for finding the space necessary for storage in the East of feed grain supplies and also for other recommendations made to the Federal Government. To-day the Montreal Corn Exchange Association presented a brief to us. Naturally, we are not against the brief; you are entitled to your opinion on the subject but the only thing which bothers me a little is that last year at this time, in the month of October, the Quebec Federated Co-operative asked us to set up such a body and to-day if I understand the brief correctly, and it's on this that I wish to ask my questions, is the brief that you are presenting, the signatures to which indicate that the Federated Co-operative is a member, is it approved by all members of the Montreal Corn Exchange Association?

(Text)

Mr. McANULTY: Mr. Chairman, I believe this is a brief which has been prepared by the directors of the association on behalf of the members of the Montreal Corn Exchange. I do not think this brief has had total membership distribution but the administration and the affairs of the association are carried on by the directors of the association. However, as you mentioned, the Co-operative's representative is a director of the association so he would be in on the preparation of this brief and, we assume, he subscribes to it.

(Translation)

Mr. VINCENT: Now you do not think that the transportation subsidy for grain should be administered by any other than a Federal government agency?

(Text)

Mr. McANULTY: No, I do not think anything would be served by any group administering freight assistance or subsidies. I do not think this is the problem. I think it has been well demonstrated now, in the interests of the eastern producers, that the problem is the cost of the ingredients or the cost to produce the finished products. Subsidy is only a part. Whether it is handled by separate agencies or the present government administration I do not think it is going to solve the problem. I personally or acting on behalf of the corn exchange am not against anything that is going to be in the best interests of the eastern producer. As I said this morning, I am not against any agency or board. I am not in a position to know the background of these boards or what they are supposed to do; but, as I say, we feel the present system or channels of distribution are adequate and that they can do the job. But, in our opinion, this is not the real crux of the problem with which we are wrestling here today. This has more to do with the total cost of producing livestock and poultry in eastern Canada and, as Mr. Strauss suggested, we might look at the finished product rather than the ingredients because as we deal with grain today—and this is part of it—it does represent a part of the ration and the price we pay for it has a big effect on the price of feed fed. However, there are many other ingredients which could influence the price of livestock. While you may solve the problem of grain there is still the problem of other ingredients and this has a big bearing on the price we charge for the feed fed to poultry and livestock.

(Translation)

Mr. VINCENT: My last question is as follows: If I may rather summarize your idea on the matter of a special agency in Eastern Canada for feed grain, would it be right to say that you believe that at the present time, with the system we have, transportation subsidies, subsidies for warehousing, warehousing facilities that we have in certain locations in Eastern Canada, that nothing can

be done by way of improvement apart, perhaps, from the lack of co-ordination in certain fields that you pointed out a few moments ago. Is there nothing else the Government could do to solve certain problems which arise with regard, for example, to price fluctuation and stability of supply?

(Text)

Mr. MCANULTY: First of all, I subscribe to free markets. I still do not think there is any substitute for the free marketing of any commodities and the law of supply and demand. But, so far as the board taking care of the problem is concerned I, personally—and I am sure some of the members of this committee are more familiar in respect of what this board will do—would like to know more with regard to what this agency or board would do, who they will deal with, what powers they have and so on. Also, I would like to know whether this would simplify the problem we have today and would it take care of the situation in respect of the lower cost feeding grains in the east.

Then, as I mentioned this morning, in respect of the facilities and channels of trade there is a need—and I am speaking personally—for co-ordination because there are many segments in the distribution of feed ingredients in the trade in which we can co-ordinate. For instance, take the Montreal elevators; when you have a movement of export and domestic grain there is a clash as you know, we have a closed season for navigation at Montreal. Of course, everyone waits until the last minute to bring in their grain, or they wait until almost the end of the season and then there is a rush for movement of grain into the elevators. At the same time the elevators are holding grain which is there for export. Some does get moved out into ocean vessels. Sometimes there is the problem of getting these vessels loaded and the problem of getting the upper lakers unloaded. There is also the problem of putting in supplies for winter months. Every year there is a certain amount of grain required for domestic consumption, which is increasing every year, and there is very little extra to what is needed in the east so far as the requirements of domestic grain and the space required are concerned. We have to find a way of carrying the export and domestic movement so that the domestic grain gets into the elevator with a minimum amount of difficulty. As you know, such problems create extra costs from time to time. I am not saying it is a serious situation, but at times there is a need for co-ordination.

(Translation)

Mr. VINCENT: But do you not think that this agency, if it were set up, would carry out precisely the co-ordination you were speaking of?

Mr. STRAUSS: I am glad to be able to answer you, sir. No I do not believe that this body would have to battle constantly with the Wheat Board. The Western Wheat Board has the right to send grain when it is needed in the East. Then at that time, you have an Eastern Board and a Western Board which are going to contest the privilege of storing in the elevator what is most necessary. While there is grain coming in for export and export vessels waiting, the best Eastern Commission will be powerless to do anything about it, preference has to be given to export grains if for no other than this reason. Now I wonder how, in these circumstances, a similar Commission could carry out the co-ordination that the elevators, the importers and the grain merchant cannot do. There is something else. You have, for instance, a free grain market, as for oats and barley; this free market allows of raising and lowering prices. Have you considered that 10 cents a bushel which would give a value of 25 cents per 100 pounds could completely cancel present subsidies? Now if you think of that, in these circumstances, we cannot continue to have a free market. The Wheat Board must stop setting up competition between the export market and the home market. I believe such a body would run into difficulties; it would be a matter of one agency which would probably be set up under the auspices

of the government which has to protect an agency in the West and an agency in the East at the same time. I do not believe that would work very effectively.

Mr. VINCENT: So you think there would be many conflicts arising between the Canadian Wheat Board and the precious agency for Eastern grain.

Mr. STRAUSS: I am convinced of it.

Mr. VINCENT: Now these conflicts which would arise, in your opinion, would they benefit the farmers in the East or in the West?

Mr. STRAUSS: The stronger will win. I cannot say. It's up to you politicians to engage in battle.

Mr. VINCENT: Now, in your opinion, would the Western farmers be opposed to the establishment of such an agency in Eastern Canada?

Mr. STRAUSS: I don't know. I am completely in the dark as to Western opinion in the matter, only I don't at the moment see the difficulties which could arise. If you set up another agency or another intermediary, who has to be paid, in my opinion you create as many difficulties as development of a going concern or a normal business. Personally I believe, as the chairman has already explained, that if we retain some measure of liberty such as the Western farmer has with the Wheat Board, keeping the market open, letting the market fluctuate, we encourage greater initiative and we will be more efficient.

Mr. VINCENT: I am putting these questions because last year we could buy, let us say at the end of August, at the beginning of September, oats at \$2.22 the hundred pounds and on the 8th of January 1964 the same cereal was worth \$2.60 the hundred pounds. The cost of transportation was paid almost entirely by the Federal Government, warehousing was paid by the Federal Government and the farmers wonder where the difference went and they suggest that there couldn't have been that many price fluctuations in oats, barley and wheat.

Mr. STRAUSS: My dear sir, if you will allow me I shall explain that the difference does not go into the pockets of the grain merchants or of whoever holds the grain until the time it is sold. Let us say, in the cases you mentioned in the month of January, that the person, or let's say the grain holding merchant with grain in the elevator keeps the Winnipeg futures market in balance and that prices fluctuate daily with the futures market. In other words, if the market rises by one, two, three cents the peck, you have the same figure corresponding. Now, if the price climbed from the month of August until the month of January by 40, 50 or 60 cents, it's probably thanks to increases which occurred on the futures market in the West. To some extent, you have fixed costs, and even if the government does pay transportation, the financing has to be paid up to about half a cent the bushel. There are other costs and I believe it will not be too hard to explain the difference between the price in the month of August, with the harvest rolling in, and the price in the month of January, when the grain is stored, at which time there is greater demand than in the month of August, when the grain in the West is harvested and demand is weaker.

Mr. VINCENT: This is so interesting that I almost feel like asking you more questions. If, for example, in the month of September in any given year, the price of barley—the wholesale price—is \$2.23½ cents the hundred pounds, this is the basic price for selling grain to farmers, plus additional charges and other things. If, at that time, a merchant bought 20 carloads of barley at this price, fixing delivery for the month of January, and in the month of January the price of barley is \$2.60 and if he resells this barley that he paid \$2.23 for at \$2.60 saying to farmers "I paid for it at \$2.60", the current price. One day I checked with a grain elevator while there were 45 carloads going out, 36 of which had been sold in the month of September for delivery in January. The grain price for these 36 cars was \$2.23. Four cars which were delivered in the month of January had been bought in the month of October at \$2.30 the

hundred pounds and the last five cars had been bought the same day at the current market price, \$2.60 the hundred pounds. This means, in short, and I am asking you if this is right, of these 45 cars of grain, the last five cars which were sold at \$2.60 set the market price for the whole 45 cars. Is this right?

Mr. STRAUSS: No, I am sorry, but I don't believe the situation was properly understood. The grain market changes daily. It has to make a difference between the contract price, the date of the contract and the date of delivery. What happened is that one who sold the five last carloads made no more profit than the one who sold in the month of August and September much more cheaply. First of all he had to add the price for entering his counter in the futures market at Winnipeg and he paid as much more on the futures market because he has to protect himself, plus fixed expenses of which I have already spoken. Now, the market fluctuates. You could accuse this grain merchant who sold the last five carloads of having made a huge profit, but I don't believe it. He probably made no more profit than the others did. Only the market was probably much dearer, especially because of the firmer market in Winnipeg which is the base for Western grain. Now we can count absolutely on this market for upward and downward market fluctuations.

If someone takes a chance and speculates then he stands to win but he also stands to lose. I remember a time when the wholesale merchant at harvest time, waiting to sell during the winter, still had an elevator in July of the following year with accumulated costs which he finally sold at 40, 50 or 60 cents loss. What is sauce for the goose is sauce for the gander.

Mr. VINCENT: Yes but in that case, if an agency had been organized in Eastern Canada, without doing any damage to the farmers in the West and if this agency had bought in the month of August barley at \$2.20 the hundred pounds, I believe that it could have offered for the whole Winter at \$2.30 or \$2.32 and this would have avoided this very thing of certain merchants having to pay for barley at \$2.60 and thus increase the cost of processed flour that the merchants sell to farmers. Because if the merchant receives 10 carloads of grain in January and if eight of them were bought in the month of August and two only in the month of January, he is certainly going to sell grain at the going rate and not say: That grain, since it cost me only \$2.20, I am going to sell more cheaply than what I bought to-day. This is precisely where there is fluctuation and, as far as I am concerned, and I do believe I am speaking for farmers.

I don't believe that farmers take exception to the fact that the merchant pulls in a reasonable profit. But what the farmer is against is that there are too many fluctuations in price and, because of that, he cannot begin crop-raising by basing himself on prices given for the period when crops are growing. He must go to his merchant and his merchant tells him: "My good man, the flour I can sell you at such and such a price but if this price rises by thirty, forty, or fifty cents the hundred pounds, I shall have to have you pay eight, ten or twelve dollars the ton". All of the people who have come to meet us on behalf of farmers and crop growers have asked this Committee and the Federal Government to set up a special agency for feed grains consumed in Eastern Canada and we shall put questions to you, not only to criticize, but to see both sides of the question. I can swear that this is perhaps the first time we have had before us witnesses who give a contrary idea perhaps more or less, but truly contrary, or again who point out the disadvantages of a feed grain agency for the East. I believe I'll stop my questions there to go on to others.

Mr. STRAUSS: If you will allow me, I am going to answer this question in another way. The agency in question would have to become a speculating agency because it may happen that it buys grain at \$2.25 and, at the time of delivery, this same grain could sell for \$2.00. The market doesn't always keep climbing. I could show you innumerable cases where, during the Winter,

grain fell. I feel it would be very dangerous for a Government agency to be launched into a business which is subject to fluctuations which can be disadvantageous to farmers. Basically, you say that this agency would have to buy grain in the month of August. It is not always the case that grain is cheapest in the month of August. You have to have a magic touch to jump in at exactly the right moment. There is a saying in the grain business to the effect that, if you will allow me, I am going to say it in English, because it's most often heard in English: You can be a bull and you can be a bear, but do not be a pig. Thus, it is so true that you can't always buy at the lowest price and I defy any agency whatsoever to find exactly the date when it buys, in behalf of the Eastern farmer, on the best market. Unfortunately, it doesn't exist, we cannot forecast the future. There are circumstances which may intervene, unless you have a completely closed market. Then, you say to the Wheat Board: "You must guarantee us the price from the 1st of August 1964 to the 31st of July 1965." That's another matter and at that time everything will be fixed.

Mr. VINCENT: There again you are speaking of a government agency, directly tied to the government.

Mr. STRAUSS: Yes.

Mr. VINCENT: But there can be another way too of setting up a body without its being a government agency. The Federal Government may, in co-operation with the provinces, allow producers, co-operatives and millers to organize themselves into an agency and when the farmers, millers and co-operatives have organized such an agency, the government could guarantee them credit facilities. The government could also allow them to go and come to terms directly with the Canadian Wheat Board and, while still having the right of examination of figures or agency data have an employee who would be there to co-ordinate the work of this agency with that of other bodies: the Canadian Wheat Board, warehousing concerns, and so on. This would not be a government agency, it would be an independent government Board or rather an independent Crown Corporation which would administer and which would naturally report.

Mr. STRAUSS: Oh yes, it would have to be decided. Would it be governmental, would it be under the auspices of the government, or would it be an agency that bought on behalf of farmers, co-operatives and consumers in general in the East.

Mr. VINCENT: That is what we are presently seeking: the best way of solving the feed grain problem.

Mr. STRAUSS: Quite. Our executive Committee has often discussed this problem. We on the Corn Exchange are of the opinion that it is virtually impossible to set up such an agency. It would have no more authority over the Wheat Board than anyone else has, because it still has the same purpose: to sell to whoever pays the highest price.

Mr. VINCENT: And the agency's purpose would be to buy at the best price.

Mr. STRAUSS: Then, it can only buy from the Wheat Board. There you have one agency against another, and they are going to be constantly in dispute; if you have several of them, as is the case now, you have some grain merchants who say to the Board: Sir, we have a lot of grain to buy and we would like to have such and such a price; if not we shall sell it abroad at a better price. If you don't do so we are going to make an application. Something of that kind; we can discuss this matter. If you have an agency solely occupied with home interests, it cannot look after anything else and will address itself only to an agency, the Canadian Wheat Board. Now, I don't know if they want to go further, or if they are actually going to regulate the problem. The big problem,

that I pointed out this morning, is probably not that of grain. It is the problem—and I could not repeat this too often—which we have been discussing this morning, that of the finished product.

Mr. VINCENT: Mr. Chairman, if—

Mr. STRAUSS: If we can regulate this matter, and I believe you can regulate it by having a grain production agency and a finished product production agency, as for livestock, etc. If you can regulate this matter with two different agencies, I believe you would achieve something and your farmer is going to be satisfied because he knows where he is going. If his grain is dear, the other condition may increase the price of finished products and they may lower it by that amount. They may dump on the market, if the price is too high, the surplus they have accumulated previously as they do in the United States sometimes.

(Text)

Mr. ALKENBRACK: I would like to ask Mr. McAnulty which one of these firms he represents here before the committee?

Mr. McANULTY: I do not represent my firm here today; I represent the corn exchange.

Mr. ALKENBRACK: I suppose I have the names mixed.
I will put the same question to Mr. Strauss.

Mr. STRAUSS: I did not hear your question.

Mr. ALKENBRACK: Which firm do you represent here?

Mr. STRAUSS: The Agro Company.

Mr. ALKENBRACK: Are you principally in the retail business?

Mr. STRAUSS: Wholesale and retail.

Mr. ALKENBRACK: I notice that a good percentage of the firms listed here are retail firms, are they not?

Mr. STRAUSS: Retail and wholesale firms, whatever you want to call them.

Mr. ALKENBRACK: Cooperative Federee de Quebec would be a retail firm, would it not?

Mr. STRAUSS: There is a very fine line between a wholesaler and a retailer in the grain business.

Mr. ALKENBRACK: But would the principal sales not be the bulk or the total sales to consumers?

Mr. STRAUSS: To feed dealers in the country, such as the Cooperative Federee and other co-operatives in the country.

Mr. ALKENBRACK: Toronto Elevators is the next firm. What is their activity?

Mr. STRAUSS: Practically the same.

Mr. ALKENBRACK: Both wholesale and retail?

Mr. STRAUSS: Yes.

Mr. ALKENBRACK: I recall I had an uncle who was superintendent for them in Toronto some years ago. Parrish and Heimbecker Limited are wholesalers, are they not?

Mr. GAULIN: Wholesalers and retailers. They are grain dealers.

Mr. ALKENBRACK: You mean they sell carload lots?

Mr. STRAUSS: You would not call these people brokers.

Mr. GAULIN: They are dealers, not brokers.

Mr. ALKENBRACK: What is the difference between a grain broker and a dealer?

Mr. GAULIN: A Canadian broker works only on a commission basis. He buys and sells on a commission basis or arranges for negotiations of contracts of various types, especially a stockbroker. If I have grain that I want to sell and I do not want to sell it to myself, I give it to a broker and I give him a commission. The basic commission is a quarter of a cent per bushel. If I am permitted, I would like to explain this to Mr. Vincent and to tell him how this grain-ing business works. I will speak in French.

(Translation)

Mr. Vincent, in the matter of your client who sent the forty carloads that you mentioned a few minutes ago, were the carloads sent to a single consignee?

Mr. VINCENT: No.

Mr. GAULIN: To different clients?

Mr. VINCENT: Yes.

Mr. GAULIN: Here it is. In the month of July, for example, if oats are worth 77 cents on the Winnipeg market, account must be taken, when grain is sold in the province of Quebec, of what is called the option, that is what this grain costs us in addition to the option to sell it. For example, if you have, in the month of July, a July option of 77 cents you add to that price your option, that is what it costs you to lower it. You have a profit which is very minimal. Half a cent was mentioned this morning; sometimes it's possible to realize a profit of one cent. Then you have costs, when you buy 300,000 or 400,000 pecks of grain, the grain is immediately paid for by firms like ours, paid cash. As soon as this grain is put into elevators in Montreal, we are obliged to pay warehousing which is fixed at a thirtieth of a cent per day and we have to add to that interest on the money we have laid out to buy the grain. Thus, if you buy grain for delivery in the month of July, quickly with the July option, it is understood that you are going to pay for the grain cheaply. If the harvest conditions prove very good, farmers say to themselves: the harvests are good this year, we can wait five or six weeks more, or a month or two months, in proportion as these people wait before buying their grain—you just mentioned one character who had bought forty carloads of grain at 2.23½, of oats, wasn't it?

Mr. VINCENT: Of barley.

Mr. GAULIN: Of barley, that's a very low price for barley. Barley at the moment is worth about \$2.52 to \$2.53. That's a fair price.

Mr. VINCENT: Is it dearer or cheaper than last year?

Mr. GAULIN: Presently it is dearer.

Mr. VINCENT: Dearer than last year by how much?

Mr. GAULIN: At least 30 cents of difference.

Mr. VINCENT: On the hundred pounds.

Mr. GAULIN: Yes, on the hundred pounds.

Mr. VINCENT: But can you tell us the reason for this increase in...

Mr. GAULIN: Certainly: your options change from day to day. I was in Winnipeg last week; I bought barley at \$1.24 and on Tuesday barley was worth \$1.22.

Mr. VINCENT: But does the Western farmer receive more?

Mr. GAULIN: Certainly, we pay for barley at the Winnipeg market price. When market fluctuations were mentioned a little while ago, it is very important. I believe that those who have to pay close attention to this problem have to pay very close attention to market fluctuations. Corn may go up by two to three cents a peck in a single day. If oats was up one cent in a day, that represents 3 cents the hundred pounds. If in two or three days both go up by 2 to 3 cents, that represents 9 cents the hundred pounds. In proportion

as periods get longer—July, August, September, October, November—if we store grain for those people, we have to pay storage and interest on the grain already paid for. That doesn't mean that grain merchants make more profit, if they sell at \$2.60 rather than at \$2.23½. If I sell you barley today at \$2.60, I can perhaps make ½ cent profit, while, when I have sold it at \$2.23½, I may have made 1 cent profit.

Mr. VINCENT: But, pardon me, Mr. Chairman.

(Text)

Mr. Chairman, I would like to continue this. This is very important.

(Translation)

Mr. GAULIN: This is elementary for people who want to discuss grain and there are many people who are not informed on operations. It is the same thing when the chairman spoke of the retail price of the finished product. Let's take ingredients such as soya, for example. At fixed intervals, certain reports appear on the American soya harvest, as on the corn harvest. Every 10th of the month you have reports. If the weather is good, if there is not too much rain, in other words, if expectations for the harvest are good, the report is good and the price may drop by two to three dollars a ton. On the other hand, if the weather is bad, if reports are not favourable for the harvest, the price goes up by three to four dollars a ton. If, for example, you have people, manufacturers of flour who use five to six carloads of soya a week, that represents from two to three hundred dollars per car and at the end of the month it represents a considerable amount. This is what they call fluctuations on a market to which the farmer is liable, without control, as is stated in the brief.

Mr. VINCENT: Now, could I ask you—you say that to-day, in the month of October, barley is worth about \$2.50 a hundred pounds.

Mr. GAULIN: I could tell you exactly if you want to wait a second. I phoned Montreal this morning and barley dropped slightly, they quoted me a market price of \$1.21¾.

Mr. VINCENT: How much?

Mr. GAULIN: \$1.21¾ a peck.

Mr. VINCENT: It might perhaps be as well to set it for the hundred pounds.

Mr. GAULIN: That's what I meant, to convert it into hundred pounds, if you want. I want to show you how I converted it into a hundred pounds. The Winnipeg market gives you an October option of \$1.21¾ cents; if you add an option of 12 to 13 cents to lower it, 1¼ cents to take it from the elevator and load it on to either a truck or railroad car, that's going to give \$1.36 a peck; \$1.36 a peck gives you \$2.83½ cents less subsidy (Montreal is in a \$7.40 zone) 37 cents, that gives you \$2.46.

Mr. VINCENT: So, today, it costs \$2.46 the hundred pounds delivered to the—

Mr. GAULIN: To Montreal.

Mr. VINCENT: Yes, but—

Mr. GAULIN: To Montreal. If, for example, you deliver in this region, I don't know, to Saint-Hyacinthe—

Mr. VINCENT: In a Montreal zone.

Mr. GAULIN: In a Montreal zone.

Mr. VINCENT: And if in a Quebec zone, instead of \$7.40 it's \$7.80.

Mr. GAULIN: Presently, there is no such variation, no.

Mr. VINCENT: Now we are discussing today, but have you a rough idea of the price during the month of September?

Mr. GAULIN: In September? We are now in the month of October, sir. You mean last month.

Mr. VINCENT: Yes, last month. Why the fluctuation which took place?

Mr. GAULIN: I think that prices didn't vary so very much, perhaps—

Mr. STRAUSS: About 2 cents more or less.

Mr. GAULIN: There again, in the month of September, we may have days when it was the same price as \$2.46½ cents.

Mr. VINCENT: In the month of August for example.

Mr. GAULIN: The month of August, on a better market.

Mr. VINCENT: Roughly.

Mr. STRAUSS: About 10 cents a hundred pounds, 10 to 15 cents the hundred pounds. I don't have the figures in front of me but that would be about right.

Mr. VINCENT: Could it be roughly \$2.30 in the month of August?

Mr. GAULIN: \$2.30 would have been a very low price.

Mr. VINCENT: I beg your pardon?

Mr. GAULIN: The price would have been very low at \$2.30.

Mr. VINCENT: Now, have most of the millers reserved in the month of August?

Mr. GAULIN: For this year?

Mr. VINCENT: Yes.

Mr. GAULIN: I can't answer for all of the merchants, but I would say no. You mean—

Mr. VINCENT: Generally, do—

Mr. GAULIN: Their total supply?

Mr. VINCENT: Yes.

Mr. GAULIN: No.

Mr. VINCENT: At what time of the year does the miller or grain merchant buy about 90 per cent of his winter supplies?

Mr. GAULIN: That depends. That depends on the miller, on the region, on the mood of the individual, on harvest information, on advice received; it depends on many factors.

Mr. VINCENT: But to date, would it be right to say almost all merchants have bought their supply for the winter.

Mr. GAULIN: I don't believe so. I don't believe it would be right to say that.

Mr. STRAUSS: Far from it.

Mr. GAULIN: For the very good reason that this year, again as an example, everybody is relying on the Western harvest and, at a given moment, foreign sales may raise the price. You have questions of weather which change the price and then before the individual wants to purchase and take them into account, the price has already gone up by 7 cents, 8 cents to 10 cents the hundred pounds.

(Text)

Mr. JORGENSEN: I should like to follow this line of questioning.

The CHAIRMAN: May I say this? Mr. Alkenbrack now has the floor but as this line of questioning is helpful to the committee, if we are brief and follow it quickly perhaps Mr. Alkenbrack will excuse us.

Mr. JORGENSEN: You made much of the fluctuations of the Canadian wheat board prices.

Mr. GAULIN: Any fluctuations?

Mr. JORGENSEN: I have a list of the average monthly prices of the various Canadian grains, No. 1 feed oats, No. 1 feed barley and No. 5 wheat, which is the type of wheat principally used for feeding in Canada. I note that from the period of August, 1963 to April, 1964 fluctuations in the price of barley were approximately six cents a bushel between a high and a low during that entire period, but the fluctuations in the mill feed price for that particular grade of grain were 37 cents a hundredweight, which would bring about the equivalent to 16 cents fluctuations in the price of barley. In oats there was a fluctuation on the Canadian wheat board price of two cents a bushel during that same period, while the feed price in eastern Canada was 28 cents, at least the fluctuation between high and low during that same period. In No. 5 feed wheat the fluctuation was 16 cents a bushel as compared to a fluctuation of 75 cents a hundredweight on No. 5 feed. You have indicated you have certain charges that must be paid such as brokerage fees, storage and so on. Assuming that these charges are constant, why and how do you account for the extreme fluctuations in the feed price in eastern Canada as compared to the very narrow fluctuations of the Canadian wheat board prices in western Canada? You have stated that the cost of your grain and the grain you have to buy is reflected on the feeder, that all you are taking are the charges that you are permitted to take, and yet we have this very great discrepancy in the price charged to the eastern feeders as opposed to the prices you are paying in western Canada.

Mr. GAULIN: The premium also fluctuates. What cost you 10 cents one day may cost you 13 cents a month after.

Mr. JORGENSEN: You mean the hauling charges? The western farmer pays the entire cost of movement of that grain to the lakehead and from there on it is practically completely paid for by the federal government in feed grain assistance.

Mr. GAULIN: You figure the same subsidy all the time even if the cost is high or low. There is always a subsidy whether it costs 25 cents or \$5 a ton.

Mr. JORGENSEN: You are speaking of the rail rates as opposed to the water rates. Is there any reason in the world why you cannot purchase your supplies of western feed grain, move them into storage, position them in eastern Canada before the close of the navigation season and have them in supply in this position? I note one other thing, namely that the change in the prices bears very little relation to the time of the year that the grain is moved, that is the end of the navigation season. The prices do not necessarily go up at that time, they sometimes go up considerably before the end of the navigational season.

Mr. GAULIN: This is very easy to prove.

Mr. JORGENSEN: I would like to have it clarified.

Mr. STRAUSS: Sir, how did you arrive at those various fluctuations? Did you take them between the total periods? There can be fluctuations within this period which can bear out the difference.

Mr. JORGENSEN: I am speaking of fluctuations in the price of grains as quoted by the Canadian wheat board. They have the high and the low for that month as well as the average. In some cases the high and the low are a matter of one or two cents, as opposed to a considerable fluctuation in the other case.

Mr. STRAUSS: But the prices of the Canadian wheat board are option prices, or are they cash prices?

Mr. JORGENSEN: They are prices quoted by the Canadian wheat board during that period, the high, the low and the average for the month. The figures I quoted have been the average for the month.

Mr. STRAUSS: But as I explained this morning, it happens very often that the option price may be 80 cents, but the No. 1 feed oats which are deliverable at 75 cents under those conditions may be 81 or 82 cents. You can have within a month a spread of six, seven or eight cents a bushel. It depends on the market conditions. I do not know what happens throughout these various periods but I cannot imagine the grain dealer being able to make such a profit as you intimated in your statement.

Mr. JORGENSEN: The figures are readily available.

Mr. STRAUSS: It does not mean to say that this is profit for the man who handles the grain.

Mr. JORGENSEN: If you say this is true, this is precisely the point I am trying to arrive at. Where does that difference go?

Mr. STRAUSS: You know that the prices which are established in Winnipeg are the option prices, a May, July, October or December option, but in between those periods grain is traded for cash every day, at times below the option price and at times above or at the option price. It seems to me that a good part of these costs could be found right in there. I do not know to what extent. We would have to sit down and work out the details, and go by the actual figures, but I am confident and convinced that we could work it out up to the last detail. This could be a bit of mathematical study from day to day.

Mr. JORGENSEN: Can you tell me what percentage of your supplies are bought on the futures market as opposed to cash?

Mr. STRAUSS: All supplies go through the futures market because the Canadian wheat board operates through the futures market. So everyone who buys grain in Winnipeg can only buy the grain from a grain shipper who is an agent of the Canadian wheat board, and this shipper brings the grain down east, and generally the same shipper has a representative in the east who distributes it to the wholesalers and to the retailers there.

The CHAIRMAN: Mr. Jorgenson, I am wondering if in reading the evidence at a later date you could give us the source of the information you have used as the basis of your questioning?

Mr. JORGENSEN: The source of my information is the Canadian wheat board's annual report as far as the prices of the western feed grains are concerned.

The CHAIRMAN: Is that the 1963-64 report?

Mr. JORGENSEN: The 1962-63 report.

Mr. ALKENBRACK: Mr. Strauss, it is pretty well established then that most of your firms participate in wholesale and retail distribution of grains and feeds. In your operations what does it cost to mix feeds?

Mr. STRAUSS: I am sorry sir, I am not involved in the mixing of grain, but to my left, our chairman is a feed manufacturer and I am sure he will be able to answer your question.

Mr. ALKENBRACK: Could you comment on that, Mr. McNulty?

Mr. MCANULTY: It varies from company to company, depending on the facilities. There is more than grains involved there. They get processed through the feed manufacturer and they are either crimped, rolled or ground. So that there would be the cost of crimping, grinding or rolling, and this would only be part of the total ration we make.

Mr. ALKENBRACK: Mixing and grinding is not the same operation. What would you say then, from your experience, it would cost to mix grains?

Mr. MCANULTY: I cannot divulge any figures of our company here because I am not permitted to do that.

Mr. ALKENBRACK: Why, not, Mr. Chairman? This is only a small part of the business, of the operation of marketing these feeds, and I asked the witness what is the average cost of mixing, and he does not wish to tell me. What does the witness put in his overhead to arrive at this total cost before he sells the grain? What does he allow for mixing?

The CHAIRMAN: I wonder whether the witness could answer the member by basing it on his general knowledge without specific reference to his company.

Mr. VINCENT: Maybe I can ask this question. If a farmer comes to you and asks you to mix one or two tons of feed, how much would you charge him?

Mr. McANULTY: We do not take grain. We make a complete ration. We manufacture a complete ration.

Mr. VINCENT: But you have some feed mill customers.

Mr. McANULTY: Not in the province of Quebec.

Mr. STRAUSS: May I answer this question in as much detail as I can. By speaking from memory I think I can say that the feed mixer in the country charges in the neighbourhood of a dollar a ton.

Mr. ALKENBRACK: How much would that be?

Mr. STRAUSS: I am not sure. This is an approximate figure.

Mr. ALKENBRACK: That sounds like a fairly reasonable answer. That would be five cents a hundredweight.

To speak now to Mr. Strauss, you said before lunch that we had no problem in this committee, that our problem now was a bit like it was in 1960 to 1961, and that the price was 30 cents higher to our feeders and users of your product. Even the Minister of Agriculture yesterday in the house was at variance with your statement. He advocated a piece of mixing equipment for those of you who live in the eastern townships which farmers could well use to save money. Of course, I think he was referring to the grinder and mixer, the mobile unit which I believe is made in Toronto. The Minister of Agriculture said that if he was living with the problem in the eastern townships this piece of equipment would save him in the neighbourhood of \$3.50 to \$4 per ton, that this machine would mix his feed for a month, and so on. I am paraphrasing the minister. It is maintained from that that the members of your trade throughout the eastern townships must be charging far too much for mixing. Would you agree with that?

Mr. STRAUSS: I do not think so.

Mr. ALKENBRACK: Well, the Minister of Agriculture of the present administration says you are charging \$4 a ton, which is 20 cents a hundredweight, and your fellow witness has said that 5 cents is enough. I agree in that because this is a form of automation.

Mr. STRAUSS: I did not say it was enough. I said I believed they are charging in the neighbourhood of 5 cents. I do not know the cost of mixing. Automation in this respect is like automation in every other respect, but I referred to the small mixer in the country. The farmer would have to do all that work himself and he would have just the self mixer which he referred to. He would have to store quite a bit of ingredients, which he could not import in full carload lots or as advantageously as the dealer does, and I still believe that if it was done on an individual basis it would be much more inefficient and cost much more than it costs at the present time. In other words, I do not think it would be a saving.

Mr. MCBAIN: Perhaps I could help Mr. Alkenbrack out in respect of the price these mobile feed mixers charge. Up in our country we pay \$6 a ton for the grinding and mixing. This machine comes right to the farm.

Mr. ALKENBRACK: In respect now to the other ingredients which have been mentioned, which are important and vital to the finished product because western grain is no good in the ration without all the other minerals and so on that go with it.

An hon. MEMBER: It is better.

Mr. ALKENBRACK: Yes, it is better. However, it is almost out of the question these days to feed straight ground grain.

Mr. STRAUSS: Impossible.

Mr. ALKENBRACK: In respect of these ingredients can your companies not now be classed as dealers in these other ingredients in the same way as you are classed in respect of grain?

Mr. STRAUSS: Yes, you can.

Mr. ALKENBRACK: Then, what is your average wholesale markup on these other ingredients?

Mr. STRAUSS: It depends on the ingredients. But, I would say soybean meal, which is one of the most important ones, is in the neighbourhood of 50 cents a ton.

Mr. ALKENBRACK: Do you charge only 50 cents a ton more?

Mr. STRAUSS: Yes.

Mr. ALKENBRACK: That is, then you pay for it?

Mr. STRAUSS: Yes.

Mr. ALKENBRACK: Is that the wholesale mark-up or the retail mark-up?

Mr. STRAUSS: The wholesale mark-up. You could not do that in respect of retail because in wholesale you can sell as easily today 10 cars of soybean meal, which is 40 to 50 tons, as you can the same number of cars of grain.

Mr. ALKENBRACK: What is the present price per ton of soybean meal?

Mr. STRAUSS: In the neighbourhood of \$95 a ton. Here is another point, if I might interject at this time—

Mr. ALKENBRACK: Then, you sell that for \$95.50?

Mr. STRAUSS: Yes.

Mr. ALKENBRACK: And, that is the correct answer?

Mr. STRAUSS: Yes.

Mr. ALKENBRACK: Thank you. Now, what about molasses? For example, what is the present cost of your molasses? I am just taking a few of these other ingredients.

Mr. McANULTY: In the neighbourhood of 16 cents a gallon.

Mr. ALKENBRACK: What would be your mark-up then on molasses?

Mr. McANULTY: I could not answer that. We do not sell molasses as such.

Mr. ALKENBRACK: Mr. Strauss, what would you add for molasses?

Mr. STRAUSS: There are very few people who sell that today; it is mostly sold by the importers and they sell it directly.

Mr. ALKENBRACK: But you must allow yourself so much, as you did in the case of soybean meal. In that case you allowed yourself 50 cents a ton.

Mr. STRAUSS: Yes. I would say the competition does not allow him more than 50 cents a ton. I did not say I would not like to charge more than that.

Mr. ALKENBRACK: Well, I will take your answer to be the truth. You only charge 50 cents more per ton for the soybean meal than it costs you?

Mr. STRAUSS: Yes.

Mr. ALKENBRACK: That is, in your wholesale operation. How much do you charge for the molasses? How much more do you charge for the molasses which goes into your product or this mash?

Mr. STRAUSS: We do not sell molasses because the molasses importers have practically taken over that business and they deal directly with the retailers. They deliver it direct with big trucks in the country.

Mr. ALKENBRACK: Then, in respect of bonemeal, what is the compulsory price of it?

Mr. STRAUSS: Well, in this case the packing houses are delivering it directly to the consumer.

Mr. NASSERDEN: And, the price of bonemeal fluctuates a great deal throughout the year.

Mr. STRAUSS: Yes. The packing houses are setting the price in this connection.

Mr. ALKENBRACK: In respect of this assembled mash or concentrate that we have now put up for wholesale distribution what is your mark-up on the total, bags and all; in other words, the aggregate?

Mr. STRAUSS: We as wholesalers go by the law of supply and demand. And, as I mentioned before, we try to charge a decent profit, if we can. However, in most commodities the profits in respect of feed ingredients fluctuate between 50 cents and maybe, at times, up to 75 cents, and if things are going well up to \$1 on smaller quantities.

Mr. ALKENBRACK: I am trying to find out what your set mark-up is. I know that business varies, depending on the particular business you are in. A general store probably will strive to attain a mark-up of, say, 25 per cent gross. I want this kind of information from you. What is your average mark-up?

Mr. STRAUSS: You must differentiate between a commodity market and a finished product market. You have a regular mark-up on any manufactured goods, but in the commodity market you have to go with the market up and down and, therefore, you can figure only on an average. I think the average runs between 50 cents and at its best \$1 a ton when the quantities are smaller.

Mr. ALKENBRACK: Is it 50 cents to \$1 a ton?

Mr. STRAUSS: In respect of the ingredient soybean meal, for instance; or, let us say alfalfa meal, which is a cheaper product and dehydrated, which also runs from 50 cents to \$1 depending on supply and demand.

Mr. ALKENBRACK: We had left that part of it; I am talking about the aggregate.

Mr. STRAUSS: Do you mean the feed manufactured product?

Mr. ALKENBRACK: Yes.

Mr. STRAUSS: I could not answer that.

Mr. ALKENBRACK: Well, you had given the answer in respect of the soybean meal, which is one of the ingredients in the aggregate.

Mr. STRAUSS: Yes.

Mr. ALKENBRACK: I am asking you to tell me what your total mark-up or percentage of mark-up is for the aggregate. Is it the same as the general store, for instance, 25 per cent?

Mr. STRAUSS: No.

Mr. ALKENBRACK: Is it 33½ per cent, 10 per cent, or what?

Mr. STRAUSS: I wish we could figure in percentages because at times we sell at a loss, you know. We could be stuck.

Mr. ALKENBRACK: Yes, you may have a product which varies from week to week and season to season. I know that at times you are stuck.

Mr. STRAUSS: If you asked me for percentages I would say, if I am optimistic, one half of one per cent.

Mr. ALKENBRACK: A business cannot operate on that.

Mr. STRAUSS: Well, sir, it depends entirely on the turnover you are making. You have to be very efficient indeed to operate on such a small margin. The grain business has proven through the years that it operates on the smallest of margins. We are doing export grain business with margins as low as $\frac{1}{8}$ and $\frac{1}{4}$ cents a bushel, when shipping the grain overseas and presenting the documents overseas.

Mr. ALKENBRACK: You must be referring to the wholesale end of your business. Surely in the retail end of your business you could tell us what your average mark-up is in order to keep your business going.

Mr. STRAUSS: As we mentioned before, in respect of grain it is one half to one cent a bushel, mostly one half cent because competition takes care of the rest, and on feed ingredients between 50 cents and \$1. As I said before wholesale and retail is very hard to define.

Mr. ALKENBRACK: I am talking about ton lots and less to the farmer.

Mr. STRAUSS: I do not know what the retailer in the country charges to the farmer. I do not think this segment is represented here. I could not give you the answer. Perhaps the others could.

Mr. ALKENBRACK: Your firm has retail outlets.

Mr. STRAUSS: No. What we call retail is actually when we sell the odd carload here or there to a small retailer in the country.

Mr. ALKENBRACK: Do you not own a retail outlet in Odessa, Ontario?

Mr. STRAUSS: We closed it down.

Mr. FAIRWEATHER: Perhaps there was too small a margin to operate.

Mr. STRAUSS: You are right; we could not operate.

The CHAIRMAN: Are there any further questions.

Mr. ALKENBRACK: I have one more question.

I am still addressing Mr. Strauss. In paragraph 6 of your brief you say:

The freight subsidy policy, being paid out of public funds, must continue to be administered by the government and not by any outside agency.

Then, lower down in the same paragraph you say:

In concluding, we would like to emphasize that if any changes should take place which are not in accordance with the thoughts brought forward above, that our committee should be consulted before such legislation is introduced.

It would seem to me that your organization would wish that present conditions remain as they are. Is that the case?

Mr. STRAUSS: So far as subsidy is concerned, yes.

Mr. ALKENBRACK: What about the present problem of eastern farmers and feeders?

Mr. STRAUSS: I would like to have it changed in order to get the farmer a decent return for his money. He will not be able to solve the grain problem without solving first the guaranteed price for the finished product of the farmer.

Mr. ALKENBRACK: Mr. Chairman, it does not seem like that to me. It does not seem that this allegation is adding anything to a solution for the eastern farmer and feeder.

The CHAIRMAN: Would you proceed now, Mr. Watson.

Mr. WATSON (*Assiniboia*): In paragraph number 2 it says:

The wheat board should be more liberal in establishing delivery quotas of feed grains so as to always have at the Lakehead ample supplies that could be quickly available to the eastern trade.

Does the witness feel that the Canadian wheat board should tie up more storage space than they do at the Lakehead at the present time so that this space would be available to the Montreal corn exchange to draw from when they want supplies. Is this the existing feeling?

Mr. STRAUSS: No sir, I do not think so. The wheat board has enough experience to know when the supplies are needed and it is the opinion of our association that they most likely could make these supplies available in Fort William, for instance, this time of the year. This is all we require; we do not want to tie up any unnecessary space.

Mr. WATSON (*Assiniboia*): In other words, perhaps a way to overcome this would be for the exchange or the grain companies to become involved. I am thinking of Parrish and Heimbecker, Ogilvie flour mills, and these are just two that are familiar. They have grain elevators and storage facilities. Do they also have storage facilities in the east whereby they could transfer their grain from, say, the west through the Lakehead and store it in the east?

Mr. STRAUSS: No, they have not.

Mr. GAULIN: When we take grain to Montreal we have to use elevators such as the ones in Montreal, and we have to find a place to put it.

Mr. WATSON (*Assiniboia*): As you know, there are elevators in the west which take the grain from the western farmers. This is a means of holding and storing it, and they collect storage from the Canadian wheat board. Would it not be just as reasonable for these grain companies to have their own storage facilities in the east so they could have these available, thereby helping to alleviate this speculative process which the corn exchange has to go through.

Mr. STRAUSS: Even if the companies would want to do this in the area of Montreal—and I think this applies to the whole district of Montreal and Quebec—it is the national harbours board who have the elevators and it is very doubtful whether private elevators could be built on national harbours board land. You see, the waterfront belongs to the national harbours board.

Mr. WATSON (*Assiniboia*): Well, you could go beyond that; you could have elevators the same as we in the west have, removed from the harbours board; then work the entire western process in reverse and get it into communities where your farmers and feed mills are so they can draw from this.

Mr. STRAUSS: You run into the same problem, over supply or under supply as it is impossible to estimate before the close of navigation the exact quantities needed in these country elevators or country consuming elevators.

Mr. VINCENT: Do you mean that it is impossible to make a forecast?

Mr. STRAUSS: Yes. We have seen the best prognosticators go wrong by several million bushels from one season to another because there is always something which can happen. You could have a hog cholera and have a terrific over supply of feed, or the price can fall out of bed and then you would have too much feed in position which is not needed; someone would have to pay for it, and if this association you are thinking of creating is there it would have to bear the brunt of this. It just is not as simple as that. It would also apply to soybean meal and all other ingredients. First of all, building elevators is a very expensive proposition and, in addition, there is practically no way to amortize them under present conditions, especially if

you only refer to the transfer of grain into the interior. In Montreal, Quebec, Three Rivers and Sorel, it is different because these elevators, or at least some of them, enjoy the export trade, and this is where they make money. In order to operate an elevator efficiently it must live on continuous transfer; it cannot live on storage.

Mr. WATSON (*Assiniboia*): This goes back to the point we make in the west and at the Lakehead. All of this grain is tied up in the Lakehead or in the country elevators and the Canadian wheat board is paying storage on it, this does not cost anyone in eastern Canada who is buying this grain any money; it costs the western farmer who originally owned this wheat, oats or barley due to the fact that this comes off his final wheat board price.

Mr. STRAUSS: I think it is a wonderful thing. I am an ardent believer in the system, and I suggest the same system could apply to the eastern producers. If you establish the same system we will be just as well off in the east, and the western producer would not need to subsidize the eastern producer and vice versa.

Mr. WATSON (*Assiniboia*): How much storage space would you say the average farmer or feeder has in the east? I am thinking of him buying from your exchange or the grain companies, and I am just wondering how much space that he would have so that he could have part of this grain available at all times. If I understand it correctly, the grain companies, yourselves and possibly the eastern feeders are living, as we would say in the west, from hand to mouth; you do not have any supply on hand. You feel that the western companies and the wheat board should have this available so that you can just pull out of it when you want to.

Mr. STRAUSS: No. If they have it available only at certain times we would be satisfied. We do not need it all year around. There is no shortage of supply at the present time and there has not been during the past year. I think the legislation which was introduced last year to subsidize the storage from October 15 to April 15 has helped a great deal to put the grain into the consuming elevators at the times when needed. So, the wheat board knows this situation and fairly well complies with the wishes of the consumer in the east.

Mr. WATSON (*Assiniboia*): You just mentioned that you did not need this at all times.

Mr. STRAUSS: No, not during the summer time.

Mr. WATSON (*Assiniboia*): You say not during the summer time. Would it not be advantageous to have these facilities in the east or on the farms so that you could buy at the proper times and keep this grain coming from the west? Would this not help to cut down the cost?

Mr. STRAUSS: It might help but where are the economics?

Mr. WATSON (*Assiniboia*): We can go back west; where are the economics of every farmer? We have storage space on our farms to take care of an entire year's crop; we do not need it all the time either but it is an absolute necessity to have it.

Mr. STRAUSS: Our farmers in the east are not equipped to store grain in any substantial quantity, and the eastern elevators during the winter time have ample space to store for the farmer, which is probably working out cheaper because he has not always the money to put in this extra investment.

Mr. WATSON (*Assiniboia*): Do you feel the western farmer has sufficient money to put this extra investment into it?

Mr. STRAUSS: I believe the western farmer can work more economically because he has a minimum price guaranteed for his product—that is, for his

grain—while the eastern farmer has no minimum price guarantee for anything he produces.

Mr. NASSERDEN: That is not quite correct.

Mr. STRAUSS: Well, with a few exceptions. However, most of the products have no definite guarantee.

Mr. JORGENSEN: The main products which are produced in eastern Canada, namely milk, butter, cheese, hogs and beef, have guaranteed prices.

Mr. STRAUSS: But these guaranteed prices are so low that at times they do not give them a return.

Mr. JORGENSEN: That is exactly the same as in western Canada.

The CHAIRMAN: If I may interrupt, gentlemen, I think we are getting off the track somewhat. Would you please confine your questions.

Mr. WATSON (*Assiniboia*): I am now referring to paragraph 3 of your brief where you say the 8 cents per bushel should be lifted. Do you also feel that the import duty that we have to pay on grain going into the United States should be lifted.

Mr. STRAUSS: Well, we might make a deal. I do not know. But, it is something that has to be done at government level. We have put in this paragraph, as we mentioned this morning, for one reason only, to get the cheapest supply of feed to the eastern farmer.

Mr. WATSON (*Assiniboia*): Do you realize that the United States charges 10 cents a bushel on western Canadian wheat and that we are moving it straight south across the border into the United States. This is a duty that we have to pay in order to get rid of grain if we are moving it across in a certain form.

Mr. STRAUSS: I did not realize that, sir. I only know that if we move oats to the United States we pay 4 cents a bushel duty.

Mr. WATSON (*Assiniboia*): It is 10 cents on wheat.

Mr. STRAUSS: And, wheat cannot be moved freely to the United States. It is under a quota system and the quota is very very limited.

Mr. WATSON (*Assiniboia*): Wheat can be moved to the United States duty free if it is treated.

Mr. STRAUSS: Yes, the seed wheat.

Mr. WATSON (*Assiniboia*): Wheat that cannot be consumed for human consumption.

Mr. STRAUSS: Seed wheat only.

Mr. WATSON (*Assiniboia*): You can also move it across in bags but you must pay the 10 cents duty.

Mr. STRAUSS: We are referring now to something different.

Mr. WATSON (*Assiniboia*): It all fits into the matter of handling grain though.

Mr. STRAUSS: But, naturally you sell your seed wheat at a substantially higher price than milling.

Mr. WATSON (*Assiniboia*): That is not true.

Mr. STRAUSS: I understand you can sell only registered or certified seed wheat over the border?

Mr. WATSON (*Assiniboia*): This is wheat I am referring to; but, it is not necessarily sold at a profit because lots of times it is sold at a loss. However, at the same time, in order to get rid of it you must pay 10 cents duty to get it over there.

Mr. STRAUSS: I see.

Mr. NASSERDEN: That is one way of selling it as a cash crop.

Mr. WATSON (*Assiniboia*): I was very interested this morning in what you were saying about importing barley from France.

Mr. STRAUSS: Yes. However, it does not necessarily have to be from France. I just took that as an example.

Mr. WATSON (*Assiniboia*): And, you said you could import this, bring it over to Canada or the United States, if I understood you correctly, and you said this same grain may end up 10 miles from where it originated in France.

Mr. STRAUSS: Not the same grain.

Mr. WATSON (*Assiniboia*): Did you not say that this morning?

Mr. STRAUSS: No. I was referring to United States grain coming out of the same area, where it goes, let us say, to Milwaukee or Duluth, and then goes to Belgium 10 miles from the border of France, in the same area where France is exporting higher grade barley to the United States, for instance going to Milwaukee.

Mr. WATSON (*Assiniboia*): I am sorry if I misunderstood you this morning. However, I took the inference out of what you said this morning that an exchange such as yours would be doing this strictly for speculative purposes.

Mr. STRAUSS: No, no, it is not at all for speculative purposes. It is strictly based on consumers demand. The feed grain of the United States is being shipped to Belgium and the malting barley from France is being shipped to the United States. The feed grain comes out of the same area where the malting barley goes and geographically, the feed grain goes into practically the same area where the malting barley comes from.

Mr. WATSON (*Assiniboia*): Would you say the malting barley imported from France is better than can be produced or bought from Canada?

Mr. STRAUSS: This year is an exception and it took place. But, that does not mean it happens every year. It happened three years ago and happened again this year.

Mr. WATSON (*Assiniboia*): Is that malting barley from France better than we produce in Canada?

Mr. STRAUSS: This is a matter of appreciation. I would say that the malsters in the United States preferred to take part of their requirements of malting barley from France instead of buying it all in Canada, which they did before. The reason is simply the variety and quality which they choose to use.

Mr. WATSON (*Assiniboia*): Well, possibly you could answer another question. Is the main purpose of the Montreal corn exchange to buy and sell grains strictly with the idea of making a profit of $\frac{1}{2}$ cent a bushel? I believe you mentioned that figure this morning.

Mr. STRAUSS: Yes, I did.

Mr. WATSON (*Assiniboia*): And this is your main concern?

Mr. STRAUSS: Well, we are not only grain dealers. Perhaps Mr. Gaulin could answer that question.

Mr. GAULIN: We have 75 members in the corn exchange and these people represent all kinds of associations connected with grain handling. They represent different mills, such as Ogilvie and so on, transportation and shipping companies, everyone connected with the business.

Mr. STRAUSS: There is a shipping company represented here today. I am referring to Mr. Ness of Canada steamship lines.

Mr. WATSON (*Assiniboia*): But, basically, the whole organization is interested in the $\frac{1}{2}$ cent profit you make. Your organization is set up for a profit. You are not primarily concerned with the little farmer and whether or not

he is surviving. That is not the reason you are organized. Is not the reason to make a profit for the Montreal corn exchange?

Mr. STRAUSS: I take very strong exception to your statement. This organization can live only from the farmer and if the farmer does not live it would be stupid for us to wipe him out.

Mr. WATSON (*Assiniboia*): I think this possibly proves my point, that you must use the farmers' products in order to make a profit.

Mr. STRAUSS: No doubt. The farmer is our customer.

Mr. WATSON (*Assiniboia*): Yes.

Mr. STRAUSS: And, I do not think it is a sin to make a profit. I do not think the farmer would want us to work for nothing. After all, we perform a service. We move the grain from the east to the west and we finance it at a time he wants to have it.

Mr. WATSON (*Assiniboia*): That is the trouble; you are moving it from the east to the west and we want you to move it from the west to the east.

Mr. STRAUSS: I am sorry, I should have said from the west to the east.

Mr. ASSELIN (*Richmond-Wolfe*): Mr. Chairman, this morning you mentioned that your committee was over 100 years old. I would like to ask you whether you could define the word "corn" in the name of your association. Does it denote the old English meaning?

Mr. STRAUSS: Yes, sir. We tried last year, on the occasion of our one hundredth birthday, to change this name. Corn in English means grain. The corn trade in England is the grain trade. We were trying to change this name. Our association goes back 100 years. However, we found that a lot of legalities were involved in changing the name. I forget the amount of money it would cost. We came to the conclusion that it was not worth while to change the name as everyone knew what it stood for. Actually it should be called today the Montreal Grain Exchange Association. We kept it for reasons of tradition and expediency.

Mr. JORGENSON: You have as much trouble changing your name as we have changing our flag.

Mr. STRAUSS: This is just the argument we wanted to avoid, sir.

Mr. McANULTY: I might mention we are not an exchange in the sense of the word that the Winnipeg grain exchange is. We are more of an association of people interested in the handling of grain in the east. All the segments of the industry in the east are represented in the association, but we, as an association, do not handle any grain, although individually we do. This is an association, not an exchange such as the Winnipeg Grain Exchange.

Mr. WATSON (*Assiniboia*): In other words, the Winnipeg Grain Exchange is organized for a profit and you are not.

Mr. McANULTY: The Winnipeg grain exchange is a means of facilitating trading of grains whereas we do not exchange in that sense. We are an association of interested parties in the handling of grain.

Mr. ASSELIN (*Richmond-Wolfe*): Mr. Chairman, I just have two or three questions which I noted before. I will not take very long. Do you have a problem of an orderly unloading of domestic grains at the Montreal terminals? We hear there are long waiting periods to unload domestic as compared to export grains and this makes for a higher demurrage. Is this correct?

Mr. STRAUSS: I must say that it is not correct because I do not think that the shipping firms are charging demurrage under normal conditions. It is only under very abnormal conditions that this is being charged. There was a case, which was highly exaggerated two or three years ago, when a grain firm

had to take on a steamer which they chartered very late in the season and the steamship company said, "We only take this steamer on if we are guaranteed a revenue because we are not sure whether we can get back up the seaway, and if not we will lose so much revenue". This is why demurrage was put on. This is the only case I remember where demurrage was being charged. I therefore do not think this is the case.

Mr. ASSELIN (*Richmond-Wolfe*): My understanding is that it is more than you have indicated, sir.

Would you say that generally speaking lake freight rates are higher or more variable on domestic than on export grains?

Mr. STRAUSS: It is strictly in accordance with supply and demand. Generally the grain dealer estimates his requirements for the fall and tries to look after his grain chartering early enough so that under normal conditions he is at an advantage in relation to the export grain which can come very unexpectedly. Therefore, he may have a higher rate than the normal grain trader who brings domestic grain to the east from one year to the other.

Mr. ASSELIN (*Richmond-Wolfe*): There could not be a variation of price because of the smaller amounts of domestic grain shipped than export grain?

Mr. STRAUSS: No. I would not say so. If you take the units of export or domestic grain being shipped you will see that in most cases steamers are completely filled, and you will find that the steamers are getting bigger and bigger. There are steamers which load over a million bushels of domestic grain.

Mr. ASSELIN (*Richmond-Wolfe*): How many are there that haul over a million bushels of domestic grain?

Mr. STRAUSS: Mr. Ness will answer this question better. There are probably a dozen steamers which are able to load a million bushels or more.

Mr. ASSELIN (*Richmond-Wolfe*): Are they loading domestic grain or export grain?

Mr. STRAUSS: Both.

Mr. ASSELIN (*Richmond-Wolfe*): But more export than domestic, I presume?

Mr. STRAUSS: I would say so because the demand for export grain is so much greater than the demand for domestic grain.

Mr. ASSELIN (*Richmond-Wolfe*): Could I ask another question? Could not an eastern agency correct the variation in the price because they cannot negotiate a flat rate? I am talking about an eastern agency of some sort such as we discussed before. Would this not be beneficial?

Mr. STRAUSS: I do not think so. There are only very few steamship companies and they could be held up for a price much easier than if there was some individual competition.

Mr. NASSERDEN: May I intervene? Do you not think that if you or I went to a shipping company and let us say we had a certain bulk of grain to be moved down to the lakes and that is could be moved at a certain period, we could get a better rate than the steamship company than if everyone of us around the table went to them and said we had so many bushels which we wanted to move now?

Mr. STRAUSS: If you can guarantee to the same steamship company unloading space, which you cannot do according to the regulations.

Mr. ASSELIN (*Richmond-Wolfe*): That is what I referred to, if you had an agency that could negotiate flat rates for loading.

Mr. STRAUSS: No, I mean unloading space.

Mr. ASSELIN (*Richmond-Wolfe*): I notice under item 5, domestic storage in eastern elevators, the first portion says that there should at all times be

sufficient space available in the eastern elevators for the free and continuous movement of domestic grain. We hear that some private elevators do not handle domestic grains. Is this correct?

Mr. STRAUSS: I would say yes. The elevator at Baie Comeau is not handling any domestic grain because there are hardly any road facilities or railway facilities from this port. It is at the mouth of the St. Lawrence river.

Mr. ASSELIN (*Richmond-Wolfe*): Is this the only one or are there any more that you might know of which do not handle domestic grains?

Mr. STRAUSS: I do not know.

Mr. ASSELIN (*Richmond-Wolfe*): What about the one at Sorel?

Mr. STRAUSS: Sorel does not handle it to any great extent but it has one elevator.

Mr. ASSELIN (*Richmond-Wolfe*): What about Saint John, New Brunswick?

Mr. McANULTY: That is an export elevator.

Mr. STRAUSS: Let me say that there are two elevators there, one belongs to the C.P.R. and the other one to the C.N.R. They are strictly export houses.

Mr. ASSELIN (*Richmond-Wolfe*): You cannot remember any more private elevators?

Mr. STRAUSS: We have one at Three Rivers. They handle domestic grain. There are also elevators at Quebec and Montreal which are government elevators, and they handle domestic grain. We have no other elevators in the St. Lawrence river.

Mr. ASSELIN (*Richmond-Wolfe*): What means would you suggest to encourage private elevators to handle domestic grain?

Mr. STRAUSS: I do not know. Put yourself in the shoes of an eastern elevator operator who would take in domestic grain at the end of a season and he counts on some storage during the wintertime. If there is a good demand for grain it would all be moved by the end of January, February or the middle of March. It would be more profitable to have of domestic grain. This is why we are glad we have government elevators to do this job.

Mr. ASSELIN (*Richmond-Wolfe*): What other means of storage are there?

Mr. McANULTY: I really do not know, sir.

Mr. ASSELIN (*Richmond-Wolfe*): I will not go any further, Mr. Chairman, because I know there are other members who wish to ask questions of the witnesses.

The CHAIRMAN: Thank you, Mr. Asselin.

Mr. CYR: I will address a few questions to Mr. Strauss in French.

(Translation)

Mr. Strauss, in your memorandum, item 4, you seek the abolition of 8 cents custom duty on the peck and this morning you mentioned that imported American corn is used on both the home and export scenes. What percentage of United States purchases is exported, do you have any idea?

Mr. STRAUSS: I don't know. I don't know the figures but the grain board knows them. However, all the corn that is re-exported is what happens in transit. In other words, it doesn't affect the domestic market and this American grain is brought in only under certain restrictions and cannot remain in the elevator more than fifteen days and cannot come in fifteen days after opening of navigation, nor as of the 31st of October, since this transit in American grain must never stand in our way. That is how the law is.

Mr. CYR: So, if I understand correctly, you are seeking abolition of the 8 cents customs tax on the peck but only for wheat for home consumption.

Mr. STRAUSS: For corn for home consumption only, we don't pay for corn for export because it's in transit.

Mr. CYR: Now, does it sometimes happen that you sell American corn stored in silos in the East to brokers from the West?

Mr. STRAUSS: No, not that I know of.

Mr. CYR: That's right.

(Text)

Mr. JORGENSEN: Mr. Chairman, may I first of all express my appreciation for the very clearcut and knowledgeable answers we have been getting from the witness and his patience in bearing with us.

There is one point I want to mention which has been spoken of several times by Mr. Strauss. I want to point out to him that our terms of reference ask us to deal with this specific question, and this is why our questioning has been falling within this area.

I note you say that the ills of the eastern farmers are mostly brought about by the cost of feedstuffs, but I do not think I can agree with your premise that they are subject to market fluctuations influenced by world conditions and premiums dependant upon availability.

Is it not a fact that in the first instance approximately 20 per cent of the eastern feed supplies come from western Canada, but that the rest of it comes from eastern Canada, so western grains are only involved for about 20 per cent of the total consumption in eastern Canada?

Mr. McANULTY: Yes.

Mr. JORGENSEN: And, certainly, the market fluctuations are to a large extent domestic rather than influenced by world conditions in so far as oats and barley are concerned. It is true that in the case of wheat world market conditions determine the price, but there is a very small export of oats and barley from Canada as compared with wheat—a total of something like 200 million bushels of barley are grown in this country and not much more than five per cent is exported; the rest is consumed in western Canada and eastern Canada. In the case of oats the figures are approximately the same; something like 300 million bushels are grown and the exports amount to something like three million bushels. Do you think the relatively small movement of grain in the export market bears any influence on prices in Canada? Do you think the prices are determined by the supply and demand conditions here in Canada rather than the export countries? To what extent is the relatively small export of oats and barley determining the price in Canada?

Mr. STRAUSS: It is difficult to answer, but whenever there is export demand the price jumps. Unfortunately it leads to exaggerations, and I would say that there is nobody who likes these exaggerations better than the seller of the grain.

Mr. JORGENSEN: Is it not a fact that the reason that the Canadian wheat board still uses the facilities of the grain exchange in selling oats and barley is that the export demand does not influence prices greatly enough and this is the only way in which a market or a price can be established for Canadian grades of oats and barley?

Mr. STRAUSS: It is quite right. The Canadian wheat board actually establishes the price. They can even regulate, with their quotas, the supply and demand.

Mr. JORGENSEN: In the case of wheat this does not apply?

Mr. STRAUSS: No.

Mr. JORGENSEN: But the export is enough—

Mr. STRAUSS: At times, but we have in the east a small crop and if we have adverse weather conditions—if we awaken on a Sunday morning and find that a good part of the growing area in Ontario has been flooded, it has an influence on the market?

Mr. JORGENSEN: Thank you very much. I must say that I have been able to smuggle most of the questions as supplementaries and I have not many more, but I do have one point.

You mention in your brief that western farmers enjoy a degree of protection not available to eastern farmers, and you quote prices and so on. You have already dealt with prices, and you have said that the minimum price to western Canada is the initial wheat board price which is below the average price and has been so for a number of years. In the case of crop insurance, that is available to all the provinces. The more progressive provinces are taking advantage of it—provinces such as Manitoba—and they have instituted crop insurance. They are only protected, however, to the extent of 60 per cent of the long term average yield, which is pretty small protection.

As you say, the protection is available to the western farmer, but I do not think it is there to the degree that you attempt to lead us to believe in this brief.

The CHAIRMAN: Mr. Nasserden, have you been able to smuggle in most of your questions?

Mr. NASSERDEN: At this stage, Mr. Chairman, many of my questions have been asked but I am interested in a rather different angle. I am interested in the fact that many of the companies comprising the Montreal corn exchange are finished feed manufacturers. Is that a fair assumption?

Mr. McANULTY: I would say to some extent but I would not say all.

Mr. NASSERDEN: I was not suggesting all; I said many.

Mr. McANULTY: Yes, I would say the majority are in the feed business.

Mr. NASSERDEN: I think you stated it very well when you said the problem was perhaps not a problem of grain but a problem of the finished market. You went on in your brief to say that in eastern Canada most of the farmers have no way of knowing the cost of feedstuffs as they are subject to market fluctuations. You then indicate why you think there have been those fluctuations. We might not agree on what you think are the reasons for those fluctuations—at least I would not. However, is it not a fact—and I would direct this question to Mr. McAnulty—that there is quite a fluctuation in the price of the finished product over the course of the year to the ultimate buyer, the farmer, in the province of Quebec today?

Mr. McANULTY: I would say that would be true anywhere in eastern Canada where there would be a fluctuation in feed prices over the years owing mainly to the ingredients that go into a balanced ration, not only grain but many other things such as soybean and fishmeal and meat scrap and alfalfa, and also distillers grains and oats.

Mr. VINCENT: Brans and oats?

Mr. McANULTY: Mill feeds. Those things do influence the price of the balanced ration. The ingredients market works in an opposite way from that of the finished product market. The price of the broilers can be down to 17 or 17½ and the price of meat scrap can be going up by \$5 and \$10 a ton. This places quite a stress upon the producer. We have to put our prices up because we have no choice, and of course he is faced with these low markets. It does present quite a problem.

Mr. NASSERDEN: The thing I am getting at is the fluctuation. If I understood the presentation here today correctly, and those from other delegations that have been down here, the fluctuations in the price of grain itself have not

contributed to as great an extent as other factors in the fluctuations of the finished product.

Mr. McANULTY: I have not seen any statistics on that. I could agree that some of these other commodities can fluctuate to a greater degree involving larger amounts of money over a period of time.

Mr. NASSERDEN: That has been pretty well the consensus of opinion by all those who have presented briefs here so far.

Something was said about supply and demand today in regard to the mark-up and so on, and this is quite a factor in any business, whether it is the feed business or anything else. When you know that the supply situation is tight you can afford to ask a little more. If there is an over supply, you cannot afford to do so. This is so particularly with purchasers who are buying in small quantities and who have no backlog to fall back upon. They are all at the mercy of the processor and retailer today, and I am not saying that in any way attacking the integrity of the feed industry. Do the companies offer any incentive to a farmer in eastern Canada or the province of Quebec—and it is the province of Quebec with which we are primarily concerned at the moment—to buy in bulk?

Mr. McANULTY: Yes, a lot of our companies in the feed industry do offer incentives for quantity buying. They also offer bulk feeds and incentives for buying bulk feed. Also, many companies have booking facilities. A dairy farmer can book his feed for the winter. There is a certain amount of risk for the manufacturer and for the farmer too. Farmers book the feed with the manufacturers, and the manufacturer in turn would book the farmer. As I say, there is an element of risk over a period of three to five months.

Mr. NASSERDEN: The risk would be eliminated if you had customers who were all interested in buying bulk and all indicated that to you, and then you could protect yourself on the market.

Mr. McANULTY: We could protect ourselves on some markets. This is the difficulty that the feed manufacturer faces.

Mr. NASSERDEN: The one market in which you cannot protect yourself is the grain market?

Mr. McANULTY: Yes, on oats and barley one can, but on wheat one cannot, of course.

Mr. NASSERDEN: You cannot on some of the other commodities. Once again, as far as the grain going into these feeds is concerned you cannot protect yourself. I am thinking particularly of grain from western Canada. If these steps were taken the eastern feeder would be fully protected—and the processor as well, on the western market.

Mr. McANULTY: I think he has some protection today with the futures market. On wheat there is no protection. On United States corn there is a futures market and you can hedge your position so that there is some protection.

Mr. NASSERDEN: The protection today is to the benefit of the processor at the moment, unless the producer is placing an order and taking advantage of—

Mr. McANULTY: Not necessarily so. The manufacturer must buy a certain quantity ahead. Some companies might book, and then they have to go out and cover it. In some cases, of course, the producer is gambling to a certain extent and he books too, and if the market goes down he is caught. In a lot of cases the feed manufacturers will even cancel the booking if it goes down too much. In other words, they are concerned that they do get stuck.

Mr. NASSERDEN: Could you outline something of the incentives that are offered to a person to buy in bulk? What kind of proposition do you give for

them to buy in bulk? If I were a farmer and wanted to buy my supply for the winter, what would be the proposition you would give me? How much could I save by buying in bulk?

Mr. McANULTY: I am not in a position to give you accurate figures. We are feed manufacturers and we sell through retailers, and sometimes the retailers have arrangements with their customers to the effect that if they buy in large quantities the retailers will take a smaller mark-up. As feed manufacturers, my own company has a price list—one price list, and the prices on the list are the prices at which we sell to all dealers. The dealers in turn have a mark-up, and the dealers may slacken off on the market mark-up if the farmers want to buy in quantity for a period of time.

Mr. NASSERDEN: Is there much difference for the finished feeds in western Canada and eastern Canada?

Mr. McANULTY: We are not operating in western Canada.

Mr. NASSERDEN: Does not Farina sell in western Canada?

Mr. McANULTY: No.

Mr. NASSERDEN: I thought it was advertised in one of the western papers.

Mr. McANULTY: It was possibly an advertisement for dog food.

Mr. NASSERDEN: I think that finishes my questioning.

I do have just one thing to say, Mr. Chairman. I think the spreads in the finished product have not originated by the time the grain has left the grain broker here in eastern Canada; I think it is somewhere along the line after that. I would say, just as a suggestion to the Chairman, that those are the people in whom we should be more interested. The fact is that I would like to hear from people such as Farina and anyone else who is manufacturing in more detail than the witnesses are prepared to give today.

The CHAIRMAN: Your steering committee has this under advisement now and we will try to follow it down to the hands of the feeder.

(Translation)

Mr. CHOQUETTE: Mr. Chairman, it is six o'clock and I think that my honourable friend has an excellent suggestion to make and then—

It's already six o'clock; now, I don't know what's going to happen but my good friend, Mr. Vincent, has an excellent suggestion to make, I believe. If his suggestion were accepted, I wouldn't like to lose the priority that's granted me in questioning witnesses, because I intend to be rather aggressive considering that your Association, in my opinion, is a capitalist Association. You have, if not the monetary capital certainly the human capital, when I consider Miss Campbell's charm. Then, this is why I would like to continue a little in that vein, at the next sitting, to throw light on certain proposals in the brief from the Union Catholique des Cultivateurs. Then, another thing which greatly astonished me is that in the Association's brief the representatives' names are given and there is a Mr. Lavallée who turns out to be the representative of the Federated Co-operative and who is also a member of the Association that we are happy to welcome here to-day, and, something rather paradoxical is that the brief from the Union Catholique des Cultivateurs was presented jointly by the Union Catholique des Cultivateurs and the Federated Co-operative and these two organizations foresee exactly such a grain agency for the East as you seem to be opposed to. Could you answer me briefly? Do you prefer to adjourn, because Mr. Vincent has a proposition on this subject?

(Text)

Mr. VINCENT: How many members of the committee would like to ask questions of the witnesses here? If there are four or five members who still wish to participate in this debate, perhaps we might adjourn and carry on tonight or any other day, or next week.

The CHAIRMAN: Mr. Choquette is the only one who has indicated to me that he would like to put questions to the witnesses. Unless there are some members here who wish to question the witnesses and who have not indicated their wish to do so, Mr. Choquette is the only one.

Mr. BARNETT: There is just one point I would like to raise. I have listened to the discussion. I take it the names listed here are the names of people with firms who are members or directors of the joint association.

The CHAIRMAN: That is what I understand.

Mr. BARNETT: The only point I want to bring forward, Mr. Chairman, is a matter of suggestion and I put it forward so you will be fully informed of the representative nature of this organization. Would they perhaps be willing to supply the complete list, to be included in the proceedings as an appendix, of the current members of the corn exchange?

Mr. McANULTY: We can give you that.

Mr. BARNETT: That would be interesting to have.

The CHAIRMAN: It is agreed that the Montreal Corn Exchange will submit a list of its full membership? Does the committee agree that this will be appended to the proceedings of today's meeting?

Agreed.

(Translation)

Mr. VINCENT: Now, Mr. Chairman, to get back to the suggestion I made, it seems that it's only the honourable member for Lotbinière, Mr. Choquette, who has certain questions to put but, if it is the case that only Mr. Choquette has questions to put, I do believe that we ought to hear his questions and the answers and, later, as far as I am concerned I have found our witnesses very interesting today and, perhaps at a later date, say in fifteen days, the administrative Committee could decide to have the witnesses who are here today up before us again. Would that be possible?

(Text)

The CHAIRMAN: It is possible. I might say, as I mentioned to Mr. Nasserden, the steering committee now has under review the matter of further witnesses. Next week we will have the B.C. Federation of Agriculture which will appear before us. I may not have this in the right order. We will also have the national farm union. Those are the next two witnesses. We will then move on to the feed merchants, the mill operators, as Mr. Nasserden has suggested, and the steering committee has that under review. I do not think we would like to bring Miss Campbell and the gentlemen back unless we have to, and I think that Mr. Choquette has been very patient. It just so happened he was the last to indicate he had questions to ask.

(Translation)

Mr. CHOQUETTE: Then, Mr. Chairman, I don't want to hold the Committee back. I am going to put a few very short questions. Then, the first question intrigues me greatly because I see the name of one Mr. Lavallée, a member of an association which finds the establishment of a grain agency for the East repugnant and here is the same co-operative, of which Mr. Lavallée is one of the members, strongly advocating this establishment of an Eastern agency. Is there any possibility of reconciling these two viewpoints.

Mr. STRAUSS: Unfortunately, I can't answer this question before consulting Mr. Lavallée.

Mr. CHOQUETTE: Then, Mr. Chairman, a question of a general nature. According to what we can see on the order paper, the present Committee is carrying on an inquiry, a study into the price spread which exists, relatively, between what the farmers in the West and in the East have to pay. But is there

any solution other than the proposals that you are making or is it only those proposals, formulated in your brief, which can rectify the situation? The farmers in the East are obviously alarmed. They carried out a march on the Quebec Parliament buildings; God knows whether they intend marching on the Parliament at Ottawa. This is a problem of some urgency. Is there not some positive action that the government could take at this time to restrain the speculation which is mentioned in the brief from the Union Catholique des Cultivateurs, I believe. There is speculation somewhere. You are, you said so a short while ago, in favour of the free market. I don't believe we belong in a socialist ideology. We are in agreement with what you said and, moreover, considering the urgency of the situation, are there no restrictive measures which should be imposed and to which you will agree?

Mr. STRAUSS: Sir, I believe we have explained it. We have not explained it in our summary, but we have given you another choice which doesn't refer to grain and I don't want to repeat myself.

Mr. CHOQUETTE: Perhaps you gave it this morning.

Mr. STRAUSS: Yes.

Mr. CHOQUETTE: Then, excuse me. I shall read the report.

Mr. STRAUSS: But if you wish, I don't want to hold up the Committee, I am ready to sit down with you for a few minutes after the Committee to explain to you our additional idea which was not included in our summary.

Mr. CHOQUETTE: Then, I shall limit my questions to these few items.

(Text)

The CHAIRMAN: Just before we adjourn, if the committee agrees to it, I think you would like me to tell Miss Campbell and the gentlemen with her that I think this has been one of the most interesting days we have had on this inquiry. It has been very fruitful, and we thank you very much.

Appendix 1

THE MONTREAL CORN EXCHANGE ASSOCIATION

COMMITTEE OF MANAGEMENT
1964/1965

President	—	G. R. de Cotret
Vice-President	—	R. Strauss
Treasurer	—	M. Gaulin
M. Lavallee		J. M. McDonough
H. A. Bray		B. J. Roden
Y. Dulude		G. J. Svalbe
D. R. Kennedy		J. D. McAnulty

October 7th, 1964

A

Agro Co. of Canada, Ltd.	Butler, E. G.*	84 Brock St., Kingston, Ont.	546-6707
	Strauss, R.	P.O. Box 96, Place d'Armes	931-1881
Ayer & Byrne	Ayer, K. R.*	227, 300 St. Sacrement St.	849-2534

B

Bosco & Bower Ltd.	Bosco, R. C.	118, 300 St. Sacrement St.	845-5286
Brown, A. W.*	Brown, A. W.*	715 Westchester Rd., Baie d'Urfe, P.Q.	931-1881
Brown & Ryan Limited	Brown, W. J.	318, 300 St. Sacrement St.	849-8361

C

Canada Linseed Oil Mills Ltd.	McDonald, M. J.	2215 Notre Dame East	522-2176
Canada Steamship Lines Ltd.	Ness, R. A.	759 Victoria Square	288-0231
	Riddell, R. B.		
Canadian National Railways	Roden, B. J.	12, 300 St. Sacrement St.	877-4476
Canadian Pacific Railway Co.	Scott, B. A.	18, 300 St. Sacrement St.	UN 1-6811
Cargill Manitoba Company Limited	Booth, G. C.	25, 300 St. Sacrement St.	844-1165
Caron, E. W. & Company	de Cotret, G. R.	2950 Ontario East	527-3621
	Lafortune, L.		
Coopérative Fédérée de Québec	Blouin, P.	P.O. Box 8, St. Henri Stn.	389-8061
Cooperative Wholesale Society Ltd.	Murray, J. A.	209, 300 St. Sacrement St.	849-7771
	Wilson, W. H.		
Cunard Steam-Ship Company Limited	Frost, J. L.	P.O. Box 1478, Montreal	849-5651
	Murray, W. J.		

E

Eastern Canada Stevedoring (1963) Ltd.	Brown, G.	282 Notre Dame St. West	844-9381
	McIntyre, P.		
Empire Stevedoring Co. Ltd.	Chodos, T.	G. 33, 300 St. Sacrement St.	288-2221

F

Furness, Withy & Company Limited	Evans, P. V. O.	315 St. Sacrement St.	849-1223
	Linton, F. E. S.		
	Smith, A. J. Wm.		

H

Hepburn, H. K.*	Hepburn, H. K.*	1445 Bishop St.	849-3073
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I

Interpro Sales Limited	Hopkins, R. M.	125 Norice St. Ottawa 5	613/729-1475
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J

Johnson & Dever Ltd.	Dever, J. M.*	133, 300 St. Sacrement St.	845-8212
	Johnson, Wm. H. Jr.*		
	Rusk, S. L.		

L

Leblanc & Lafrance	Lafrance, R.	218, 300 St. Sacrement St.	849-3548
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* Honorary Member

M

McAuley, W. J., Ltd.	McAuley, C. G.*	120, 300 St. Sacrement St.	VI 9-8188
	McAuley, R. I.		
McDonald, Wm. & Sons	McDonald, W. J.	2, 300 St. Sacrement St.	849-1342
McDonald & Robb Ltd.	McDonald, J. A. E.	P.O. Box 39, Valleyfield, P.Q.	373-8477

N

National Harbours Board	Beaudet, G.	357 Common Street	849-3781
Norton, Richard F.	Norton, R. F.	7435 Sherbrooke St. West	481-1735

O

Ogilvie Flour Mills Co. Ltd.	Kennedy, D. R.	P.O. Box 6089, Montreal	866-7961
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P

Papachristidis Co. Ltd.	Svalbe, G. J.	33 St. James St. West	844-9304
Parrish & Heimbecker Ltd.	Gaulin, M.	221, 300 St. Sacrement St.	849-7507
	Starke, J.*		
Paterson, E. B.*	Paterson, E. B.*	110 Carlyle Av. Chateauguay Hts. P.Q.	
Powell, K. A. (Quebec) Ltd.	Loucks, C. F.	303, 300 St. Sacrement St.	845-0136
	Smyth, M.		

R

Ralston Purina Co. Ltd.	Kozlowski, W. S.	P.O. Box 48, Station "S"	366-6150
	McAnulty, J. D.		
Read, R. H. & Co. Limited	Read, F. M.	128, 410 St. Nicholas St.	489-8111
	Robinson, F. B.		
	Thomson, W. G.		
Richardson, James & Sons Limited	Desrosiers, E. Jr.*	620 St. James Street W.	388-3152
	Donaldson, C. B.	220, 300 St. Sacrement St.	849-1331
	Donnelly, J. E. R.		
	Fraser, D.*	1032 Grain Exchange Bldg. Winnipeg, Man.	942-3451
Robin Hood Flour Mills Limited	Henning, W. J.	P.O. Box 8505, Montreal	735-2711
	McDonough, J. M.		

S

Sherwin Williams Co. Canada Ltd.	Kerr, W. M.	P.O. Box 489, Montreal	933-8611
Shipping Federation of Canada	Mearns, C. T.	326, 300 St. Sacrement St.	849-2325
Starnes, H. K.*	Starnes, H. K.*	Crescent St. Knowlton, P.Q.	343-5776
Stuart, N. C.*	Stuart, N. C.*	438 Mt. Stephen Ave. Apt. 28	937-2947

T

Thomson & Earle (Montreal) Ltd.	Bray, H. A.	114, 300 St. Sacrement St.	849-7011
Three Rivers Grain & Elevator Co. Ltd.	Davidson, L. R.	P.O. Box 35, Three Rivers, P.Q.	
Toronto Elevators	Dulude, Y.*	206, 300 St. Sacrement St.	844-4466
	Renaud, L.		
(Maple Leaf Milling Division)	DeBroin J.*	5200 Henri Julien St.	271-4671
	Ross, G.		

V

Vittie, J. M.*	Vittie, J. M.*	66 Dufferin St. Granby, P.Q.	
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W

West India Co. (Canada) Ltd.	Cumming, E. W.	Ste. 1507, 360 St. James St.	849-2404
Wight & Esdaile Reg'd.	Wight, N.C.	306, 300 St. Sacrement St.	849-1301
†Winnipeg Grain Exchange	Clarke, J. W.	678 Grain Exchange Bldg. Winnipeg 2, Man.	WH 2-6871
Wolfe Stevedores Limited	Wolfe, H.	125, 300 St. Sacrement St.	842-7966

* Honorary Member

† Complimentary Member

9
HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964

STANDING COMMITTEE

ON

Agriculture and Colonization

Chairman: RUSSELL C. HONEY, *Esq.*

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 9

Respecting

PRICES OF FEED GRAINS

THURSDAY, OCTOBER 22, 1964

WITNESS:

From the British Columbia Federation of Agriculture: Mr. Charles E. S.
Walls, Manager.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1964

STANDING COMMITTEE
ON
AGRICULTURE AND COLONIZATION

(Chairman:) RUSSELL C. HONEY, Esq.

(Vice-Chairman:) PATRICK T. ASSELIN, Esq.

and Messrs.

Alkenbrack,	Forgie,	McIntosh,
Armstrong,	Gauthier,	Muir (<i>Lisgar</i>),
Barnett,	Gendron,	Mullally,
Béchar, d,	Groos,	Nasserden,
Beer,	Gundlock,	Noble,
Berger,	Horner (<i>Acadia</i>),	O'Keefe,
Brown,	Howe (<i>Wellington-</i>	Olson,
Cardiff,	<i>Huron</i>),	Peters,
Choquette,	Jorgenson,	Rochon,
Cooper,	Kelly,	Roxburgh,
Crossman,	Konantz (Mrs.),	Southam,
Cyr,	Korchinski,	Tardif,
Danforth,	Langlois,	Temple,
Dionne,	Laverdière,	Vincent,
Doucett,	Lessard (<i>Lac-Saint-</i>	Watson (<i>Assiniboia</i>),
Drouin,	<i>Jean</i>),	Watson (<i>Châteauguay-</i>
Émard,	Madill,	<i>Huntingdon-</i>
Éthier,	Mandziuk,	<i>Laprairie</i>),
Fairweather,	Mather,	Webb,
Forbes,	Matte,	Whelan—60.
Forest,	McBain,	

Quorum 20

D. E. Levesque,
Clerk of the Committee.

Messrs. Cardiff, Doucett, McIntosh, Muir (*Lisgar*), and Noble replaced Messrs. Cadieu (*Meadow Lake*), Horner (*The Battlefords*), Moore, Rapp and Ricard on October 7, 1964.

ORDER OF REFERENCE

WEDNESDAY, October 7, 1964.

Ordered.—That the names of Messrs. Cardiff, Doucett, McIntosh, Muir (*Lisgar*) and Noble be substituted for those of Messrs. Cadieu (*Meadow Lake*), Horner (*The Battlefords*), Moore, Rapp and Ricard, respectively, on the Standing Committee on Agriculture and Colonization.

Attest.

LÉON-J. RAYMOND
The Clerk of the House.

CORRECTIONS

Proceedings No. 8—Tuesday, October 6, 1964.

(*In the evidence*) of Montreal Corn Exchange Association—Page 239, first line “In low trading periods” read “In certain periods”. Line 5, “under certain circumstances your market prices” should read “your export market”.

Page 243, paragraph 8, line one “different in the countries” read “different in the different countries”. Line 8, “a bare fluke arrived in excellent condition” should read “a bare fluke was brought into the granaries in excellent condition”.

Page 251, paragraph 6, last line “piglets unless he” read “piglets even if he”.

Page 255, paragraph 1, line 3, “eastern feed buyer and western feed buyer” should read “board” instead of buyer. Last paragraph, fourth line from the bottom after Ontario; read “as well as the protein”.

Page 262, line 10, “other condition” should read “other commission”.

Page 263, line 1, “A Canadian broker” should read “A grain broker”.

MINUTES OF PROCEEDINGS

THURSDAY, October 22, 1964.

(12)

The Standing Committee on Agriculture and Colonization met this day at 10:15 o'clock a.m. The Vice-Chairman, Mr. Patrick T. Asselin, presided.

Members present: Messrs. Alkenbrack, Asselin (*Richmond-Wolfe*), Barnett, Béchar, Beer, Berger, Cardiff, Danforth, Dionne, Doucett, Forbes, Forest, Forgie, Gauthier, Gundlock, Jorgenson, Mandziuk, Matte, McBain, Mullally, Olson, Peters, Watson (*Assiniboia*), Whelan, Webb—25.

Witness:—From the British Columbia Federation of Agriculture: Mr. Charles E. S. Walls, Manager.

In attendance:—Mr. C. R. Phillips, Program Co-Ordinator, Department of Agriculture and Mr. Benoit Lavigne, Director of Eastern Feed Grains, Department of Forestry.

The Chairman asked the Clerk to read the Report of the Steering Committee. The Clerk reading:

SEVENTH REPORT OF YOUR STEERING COMMITTEE

THURSDAY, October 15, 1964.

Your Steering Committee met this day at 11:00 o'clock a.m., Mr. Honey, presided.

Members present:—Messrs. Honey, Danforth, Asselin (*Richmond-Wolfe*), Olson and Mullally—(5).

It was *agreed* that the schedule for witnesses appearing before the Committee would be as follows:

Thursday, Oct. 22—Mr. Charles E. S. Walls, Manager of the British Columbia Federation of Agriculture, Victoria, B.C.;

Thursday, Oct. 29—Mr. A. P. Gleave, Chairman of the National Farmers Union, Saskatoon, Sask.;

Thursday, Nov. 5—Representatives of Canada Packers Limited, Toronto, Ontario, including Mr. Gerry Ehrhart of their St. John, New Brunswick branch;

Tuesday, Nov. 10—A group of Mill operators and small feed merchants from Ontario;

Thursday, Nov. 12—A group of Mill operators and small feed merchants from the Province of Quebec and the Maritimes.

Your Chairman asked Mr. David Kirk, Secretary of the Canadian Federation of Agriculture, if they wanted to appear. Mr. Kirk said that the Federation's policy has not changed since the evidence given last year. There is therefore no need for the Federation to appear again.

At 11:50 a.m. the Committee adjourned to the call of the Chairman.

It was moved by Mr. Beer, seconded by Mr. Matte,

Resolved,—That the Seventh Report of the Steering Committee be adopted as read.

The Chairman introduced the witness. Mr. Walls read his brief and the Committee proceeded to the examination of the witness.

The questioning of the witness being concluded, Mr. Doucett moved, seconded by Mr. Cardiff, and it was *agreed* that a vote of thanks be extended to Mr. Walls for his excellent brief and the manner in which it was presented.

At 12:10 o'clock p.m. Mr. Mullally moved, seconded by Mr. Béchard, that the Committee adjourn to Thursday, October 29, 1964.

D. E. Levesque,
Clerk of the Committee.

Note—The evidence, adduced in French and translated into English, printed in this issue, was recorded by an electronic apparatus, pursuant to a recommendation contained in the Seventh Report of the Special Committee on Procedure and Organization, presented and concurred in, on May 20, 1964.

EVIDENCE

THURSDAY, October 22, 1964.

The VICE CHAIRMAN: Gentlemen, may I call the meeting to order, please. First of all I would like to say that Mr. Honey has been unavoidably detained and will not be able to attend this morning's meeting.

Secondly, I wish to say that we will not have the use of this room this afternoon. I would therefore suggest that we should try to terminate with the witness we have before us by one o'clock at the latest.

I will now ask the clerk of the committee to read the minutes of the steering committee.

(The Clerk of the Committee read the report of the steering committee.)

The VICE CHAIRMAN: Thank you, Mr. Levesque. Gentlemen, I would like to have a motion for adoption of the minutes of the steering committee.

Mr. BEER: I move that the minutes of the steering committee be adopted.

Mr. MATTE: I second it.

The CHAIRMAN: All agreed?

Motion agreed to.

The report of the steering committee is adopted.

I would now like to introduce Charles E. S. Walls, Manager of the British Columbia Federation of Agriculture. He comes from far away, and he tells me that this morning he came from Toronto. Mr. Walls would like to present his brief.

Mr. CHARLES E. S. WALLS (*Manager, British Columbia Federation of Agriculture*): Gentlemen, I appreciate very greatly the opportunity to come and present the position of the farmers of British Columbia with respect to feed freight assistance. I think it is important that we do so because feed freight assistance has always been, as you no doubt know, applied on a different basis to British Columbia and to eastern Canada. All I am here to do is to give you the views of the farmers in British Columbia. With your permission, Mr. Chairman, I will go ahead and read my brief.

1. The new feed freight assistance regulations that became effective on September 14, 1964 apply as follows to British Columbia:—

- (a) Freight assistance is paid on wheat, oats, barley, rye and corn grown in the prairie region.
- (b) Freight assistance is paid on No. 1 feed screenings, sample feed grain, wheat bran, wheat shorts, and wheat middlings produced in the prairie region.
- (c) The definition "prairie region" includes that portion of British Columbia known as the Peace river district.
- (d) Freight assistance in British Columbia does not apply to transportation by truck from a place of rail shipment to a destination.
- (e) Freight assistance will be paid to destination served by rail \$4.40 per ton less than the lowest of the carlot short line rail freight charges through Canada from Calgary, Edmonton, Lethbridge or point of origin.
- (f) To coastal points served only by water, freight assistance will be that to mainland rail terminal plus \$2.60 per ton.

Basically speaking, this whole brief will be dealing with subparagraph (e).

2. The farmers of British Columbia first wish that we express to you our appreciation of the government's continuation of a feed freight assistance policy. They also hope that as a result of this parliamentary committee's study and any corrections you may instigate on the present interim policy that the government will then see fit to guarantee greater permanence to this program by placing on the statutes a feed freight assistance act.

3. It is our intention in this presentation to deal only with section (e) of paragraph (1) above as it applies to the net freight cost to the British Columbia feeder of \$4.40 per ton. We recognize that the new interim feed grain assistance policy has reduced this freight cost to the feeder by 60 cents per ton from the previous \$5 per ton. It is our intention, however, to show that this \$4.40 per ton net freight cost to the British Columbia feeder is at best a fictitious figure, and that because of the mechanics of the policy as it applies to British Columbia our feeders on an average have to pay approximately \$1.50 per ton above this figure.

4. We assume the aim of government is to pay such portion of all freight on feed grain so that feeders in all parts of eastern Canada and British Columbia can purchase a carload of feed grain at approximately the same cost. All oats and barley for both eastern Canada and British Columbia are sold f.o.b. Fort William. Wheat is sold to eastern Canada on an f.o.b. Fort William basis but the price to the British Columbia feeder is on an f.o.b. Vancouver basis, approximately \$1 per ton higher.

With the initial cost about the same, any difference between the price one feeder buys his grain, if bought direct on a carload basis, and that paid by another would depend on the net freight paid by the feeder after receiving feed freight assistance.

5. Let us therefore compare the net figure of freight now paid by feeders in selected points in eastern Canada with the minimum net price paid by feeders in British Columbia, i.e. \$4.40 per ton. In these comparisons we are only going to deal with freight cost and ignore all extra handling charges which would be more or less common to all.

I have picked out here a number of points for which I have been able to get figures.

Ontario

Kemptville (out of Prescott) net freight cost to feeder ..	.50 per ton
Guelph (out of Goderich) net freight cost to feeder ....	.50 per ton

Quebec

Victoriaville —net freight cost to feeder	\$1.38 per ton
St. Rosalie—net freight cost to feeder .....	.88 per ton

(The above examples are on oats—wheat would be about 10 per cent less).

I want to emphasize again that I am only dealing with freight, not with handling charges.

Nova Scotia

Truro—net freight cost to feeder	\$1.10 per ton (minus)
Sydney—net freight cost to feeder	\$1.30 per ton

New Brunswick

Moncton—net freight cost to feeder	\$1.50 per ton
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Prince Edward Island

Charlottetown—net freight cost to feeder\$1.50 per ton

(The quotes for the maritimes are average balance of cost figures—all grains).

6. Any check on the points selected in eastern Canada will show that we have been more than fair in our comparisons, yet the points quoted range from a minus net feed freight cost of \$1.50 per ton to a plus net freight cost of \$1.0 on the same basis as feeders in British Columbia pay a minimum net freight of plus \$4.40 per ton.

7. Yet this brief is being presented to you today not in protest against the \$4.40 per ton in spite of the fact that \$4.40 is a higher freight rate than feeders elsewhere generally have to pay, but in protest against what we are asked to pay in net freight over and above that figure. In some cases as we will demonstrate our net freight, exclusive of handling charges, runs as high as \$6.60 per ton.

8. There may be those who suggest taking a more sophisticated approach to feed freight assistance by stating that it may vary in relationship to the prices that feeders in different areas receive for the products for which they use the feed. Using the last figures received at our office from the federal Department of Agriculture, i.e., the week ending September 19, 1964, they would seem to indicate that feed freight cost to all feeders should be reasonably uniform.

Generally speaking, the prices received are reasonably uniform.

Prices paid to farmers	Vancouver	Toronto	Montreal	Halifax
Good steers per cwt	22.00	23.25	22.45	22.65
Hogs—Grade 'A' per cwt	27.05	27.95	27.00	27.50
Eggs—'A' Large per doz .....	.31	.36½	.32 ⁽¹⁾	.29
Broilers—per lb .....	.20	.17	.17-.17½	.17
Chicken (6-7 lb) per lb .....	.23	.22-.23	.23	.23
Turkey (12-20) per lb .....	.27	.23-.25½	.26-.27	.24-.25

(¹)This quotation Victoriaville, Quebec as no quote for Montreal)

9. Before discussing the method used for establishing the prices of feed grains to the feeder in British Columbia it should be understood that the grower of wheat pays the export freight rate to the Vancouver terminal and the grower of oats and barley pays the export freight rate to Fort William terminal even though his grain may move west to Vancouver. It is on a landed price at the terminals on which the wheat board quotes its selling price based on world demand.

10. As an example, if a feeder near Vancouver buys a carload of No. 5 wheat from an agent of the wheat board and the grain is shipped from Calgary, he would be quoted the Vancouver export price less the export freight rate from Calgary. To this would be added the domestic freight rate from Calgary to Vancouver, less the feed freight assistance, i.e.:—

Vancouver export price—\$1.87 per bu	=	\$62.40	per ton
Less export freight rate from Calgary	=	4.00	" "
Therefore price to B.C. domestic buyer at Calgary =		58.40	" "
Plus domestic freight rate from Calgary	=	13.00	" "
		\$71.40	" "

Less the Feed Freight Assistance which in all cases
of shipment to Vancouver *irrespective of where*
the grain is shipped from is the Calgary domestic
rate \$13.00

Less 4.40 = \$ 8.60 " "

Net cost to feeder at Vancouver of No. 5 wheat
shipped from Calgary = \$62.80 " "

11. What this means is that the maximum freight assistance that is paid on grain coming to Vancouver is \$8.60 and only if shipped from Calgary is the net freight to the feeder the \$4.40 quoted in the new feed freight assistance regulations. However, little or none of our feed wheat actually comes from Calgary. The agents for the wheat board advise us that a principal shipping point for both wheat and oats coming to the coast from Alberta is St. Albert, Alberta. So let us now see what the Vancouver feeder has to pay for the same No. 5 wheat coming from that point.

Vancouver export price—\$1.87 per bu. \$62.40 per ton
Less export freight rate from St. Albert 4.00 " "

Therefore price to B.C. domestic buyer at St. Albert
(f.o.b. St. Albert) 58.40 " "
Plus domestic freight rate from St. Albert 14.40 " "

72.80 " "
Less feed freight assistance 8.60 " "

Net cost to feeder at Vancouver of No. 5 wheat shipped
from St. Albert, on the same day \$64.20 " "

From this example you will see the feeder located in the same area in this case had to pay \$1.40 per ton more for his wheat, resulting from his having to pay a net freight cost of \$5.80.

12. Some other examples of the variance in price that the same feeder would have to pay dependent on the place from which the wheat board released the wheat are:

From Stettler:

his wheat would cost \$1.20 per ton more as his net freight cost=
\$5.60 per ton

From Lloydminster:

his wheat would cost \$1.80 per ton more as his net freight cost=
\$6.20 per ton

From Grand Prairie:

his wheat would cost \$2.20 per ton more as his net freight cost=
\$6.60 per ton

From Medicine Hat:

his wheat would cost \$1.40 per ton more as his net freight cost=
\$5.80 per ton

From Dawson Creek:

his wheat would cost \$.20 per ton more as his net freight cost=
\$4.60 per ton

13. The system used in supplying oats and barley from Alberta to feeders in Vancouver or near Vancouver is much the same as that used for wheat, except that from the Fort William quoted price we deduct the export freight rate between the location where these grains were grown in Alberta and Fort William, and then add the domestic freight rate from the grower's area to Vancouver, less the feed freight assistance.

For example, basing it on a Vancouver feeder buying No. 1 feed oats from Calgary:

Wheat board price on No. 1 feed oats f.o.b. Fort William	\$46.00	per ton
Less export freight rate Calgary to Fort William ..	5.20	" "
<hr/>		
Therefore price of oats to B.C. feeder f.o.b. Calgary ...	40.80	" "
Plus domestic freight rate Calgary to Vancouver ..	13.00	" "
<hr/>		
	53.80	" "
Less feed freight assistance	8.60	" "
<hr/>		
	\$45.20	" "
<hr/>		

Therefore, the Vancouver feeder bought his oats from Calgary for \$45.20 per ton, based on a net freight cost to him after feed freight assistance of \$4.40 per ton.

14. Now let us use a much more likely example, namely that the wheat board released these oats from St. Albert:

Again the wheat board price would be f.o.b. Fort William	\$46.00	per ton
Less export freight rate St. Albert to Fort William ..	5.20	" "
<hr/>		
Therefore price of oats to B.C. feeder f.o.b. St. Albert	40.80	" "
Plus domestic freight rate St. Albert to Vancouver	14.40	" "
<hr/>		
	55.20	" "
Less feed freight assistance	8.60	" "
<hr/>		
	\$46.60	" "
<hr/>		

In this case the same feeder would pay \$1.40 per ton more for his oats as a result of paying net freight after feed freight assistance of \$5.80 per ton.

15. To quote other examples of oats or barley from other shipping points would only further substantiate the comparisons we quoted on wheat. The difference between the balance of freight \$4.40 as quoted in the new feed freight assistance regulations and the higher amount the British Columbian feeder has to pay is slightly less for oats and barley, but is proportionately about the same in relationship to the lower price for these grains.

16. While our illustrations have all dealt with feeders located at Vancouver a similar situation would apply to feeders located elsewhere in British Columbia. Those on the direct line from Calgary to Vancouver have their feed freight assistance based on Calgary; those on the northern rail line to Prince Rupert have the feed freight assistance based on Edmonton; while those on the south line—the Kettle Valley line—have the freight assistance based on Lethbridge. All of them, irrespective of where located in British Columbia have to pay a minimum freight of \$4.40 per ton, plus the difference between export and domestic freight from the shipping point of the grain to Calgary, Edmonton or Lethbridge.

17. We must in fairness state that when our feeders—particularly in the lower mainland of British Columbia—order their grain to be shipped direct from Alberta, the agents for the wheat board attempt to supply it from points as close to Calgary, Edmonton, or Lethbridge as is possible so that we do not have to pay an excessively high extra freight above the \$4.40. In many cases, however, it is more convenient to both buyer and seller for our feeders to draw the grain direct from the Vancouver terminals, and in such cases the grain often originates from more distant points, causing a higher freight cost.

18. True, we have one compensating factor against the higher net freight we pay on prairie grain compared with that paid by feeders in eastern Canada, and that is because under certain conditions we can buy part of our feed grain requirements from the Peace river district of British Columbia, and because this grain for domestic use within the province is outside wheat board control, can purchase it at a lower price. The Peace river grain growers will only sell for less to British Columbia feeders providing that they are on a wheat board quota, and that they require immediate cash to the extent that they do not wish to store their grain until required by the wheat board. In the crop year 1962-63 we drew a higher percentage of our feed grain from this area; other years very little. In years of a short crop, or in years of a high foreign demand there will be little direct sale and we will return to buying all our requirements through the wheat board, so this temporary advantage should not be used as an argument in avoiding equity in feed freight assistance.

19. As stated earlier in our brief, we are not opposing a net freight cost to our feeders of \$4.40 per ton, even though it is considerably more than that paid by buyers in eastern Canada. What we are requesting is that we only pay this \$4.40 per ton freight irrespective of the point from which the Wheat Board or its agents draw the grain.

It surely must be apparent that the present system places the buyer of feed grains in a most difficult position in setting his prices when, even if the price of grain is reasonably static, he yet does not know what his laid down cost will be until the wheat board decides from which prairie point they can or will supply the grain.

There is no room for fear that if we are given a flat net freight cost of \$4.40 per ton that we will attempt to draw our grain because of grade or protein content from far distant points, for the wheat board will see that we draw our requirements from points most advantageous to orderly marketing.

British Columbia Federation
of Agriculture.

The VICE CHAIRMAN: Thank you very much, Mr. Walls.
Are there any questions, gentlemen?

(Translation)

The VICE CHAIRMAN: Would you like to ask questions in French?

Mr. GAUTHIER: Mr. Walls, before we start to talk about figures, I'd like to ask you a question which might seem to be indiscreet for someone from British Columbia. Could you explain to us why you did not distribute copies in French of your report to the Committee?

Mr. WALLS: I have to apologize to the members from Quebec because I could not in so short a period of time find in British Columbia translation facilities which would have allowed me to distribute my report in your language.

Mr. GAUTHIER: This means, Mr. Walls, that there are not enough French Canadians in British Columbia, according to you, to translate the documents of the various organizations of British Columbia?

(Text)

Mr. WALLS: I only had a few days in which to get this brief ready. Perhaps I should explain that besides carrying on my regular duties I am a member of the Royal Commission on Taxation. I had about three days in which to prepare this brief. This was the first request we received for our briefs to be in both languages. I made every attempt to get one, and I believe I have one lined up for any future presentations. It is highly important to me that the members for Quebec should understand our brief, so I assure you, gentlemen, that if we have disappointed you this time we will see that the same situation does not occur again.

(Translation)

Mr. GAUTHIER: You were aware, though, that you were appearing before a bilingual committee?

(Text)

Mr. DANFORTH: Mr. Chairman, on a point of order, I think these questions are entirely unfair. The responsibility lies with the members of the committee themselves. If a French brief is requested, it is up to the members to so indicate in their invitation. I do not think it is proper for members to question witnesses in such a vein, and I would ask that you instruct the hon. member to continue with questions referring to the brief.

(Translation)

Mr. GAUTHIER: Mr. Chairman, it is precisely the French-speaking members of the Committee who have a right to request a report in French just the same as the English-speaking members have theirs in English. We may even refuse to sit because we don't have such a report. That is the whole question.

The VICE CHAIRMAN: Mr. Gauthier, if you allow me, Mr. Walls told me this morning that he had had only two or three days for preparing a report to be submitted to the Committee. He is well aware of the fact that Committee is bilingual. He endeavoured as much as possible to get this report in the two languages, but did not succeed. I think we have to accept his apologies and continue to discuss the report.

Mr. GAUTHIER: I accept Mr. Walls' apologies but I do not accept the words of the previous speaker who maintains that a report in French is not necessary for the small group of French-Canadians who are here. The principle stands that Canada is a bilingual country.

(Text)

Mr. DANFORTH: Mr. Chairman, I would like to make my position absolutely clear on this point of order. I think the hon. member has mistaken my point. My point is that his quarrel is with the members of the committee and steering committee, and not with the witness if the French translation is not available. I do not think witnesses should be questioned on such a matter. Your quarrel is with the members of the committee.

(Translation)

Mr. GAUTHIER: That is exactly what I am opposed to, for the member who submits a report does so in the name of a province, of a provincial organization, and he has to submit this report in accordance with the Canadian concept of each province. I accept this gentleman's apologies, but to say that it is not the witness who should be blamed, I think it is he because he represents the province of British Columbia, that province which does not contribute to bilingualism in Canada.

The VICE CHAIRMAN: Mr. Gauthier, if you allow, we shall continue.

Mr. GAUTHIER: All right.

The VICE CHAIRMAN: Now, would you begin with your questioning about the business to be debated today?

(Text)

Mr. DOUCETT: Mr. Walls, I would like to ask you about Prescott because of its close location to Ottawa.

You say that the net freight cost to feeders out of Prescott is 50 cents per ton. You say you pay \$4.40.

Mr. WALLS: It is very rarely that we ever get it for \$4.40; it averages at about at least \$1.50 more than that because we have to pay the domestic freight from the place at which it is grown.

Mr. DOUCETT: We pay the \$4.40 plus 50 cents, is that right?

Mr. WALLS: That is correct as I understand it. I wrote to eastern Canada for these figures. I have no means of vouching for them myself.

Mr. DOUCETT: No, we take that for granted. So out of Prescott—

Mr. WALLS: No, I do not think I understood you correctly. The government pays all the cost of the freight to Kemptville except 50 cents per ton which the feeder pays. Ours is the only province, you see, for which a fixed \$4.40 is mentioned. If you read the feed freight regulations you will see that it only applies to British Columbia.

In your case, they pay all the freight less 50 cents.

Mr. DOUCETT: If I were buying grain out of Prescott—unless it has changed very recently—I would buy it at, say, \$50 and the fellow would sell it to me less \$5?

Mr. WALLS: Basically. You mean if you bought it from a feeder?

Mr. DOUCETT: Yes.

Mr. WALLS: He gets the credit of the feed freight assistance and you pass it on.

Mr. DOUCETT: I get it at \$5?

Mr. WALLS: That is right, and in his feed purchase price there would be an element of 50 cents per ton that he would be paying.

Mr. CARDIFF: And in your case you pay \$1.50?

Mr. WALLS: No, we pay \$4.40 plus \$1.50. You see, in the freight assistance regulations for British Columbia the government says we shall pay all the freight except \$4.40. No matter where you are located in British Columbia, even if you are right over in the east Kootenays, they pay \$4.40.

Mr. CARDIFF: And you pay the balance?

Mr. WALLS: That is based on the assumption that all the grain came from Calgary, but the grain does not come from Calgary so we have to pay from wherever the wheat board draws the grain. In some cases it can be as much as \$2 per ton extra freight. Any indication given in the orders and any indication given in *Hansard* would show that our growers are paying \$4.40. We are not objecting to the \$4.40 even though we think it is more than they pay in eastern Canada. All we are saying is, make it \$4.40 because the unknown hazard of the place from which they are drawing the grain makes it very difficult for people buying grain to know at what net cost they will get it.

Mr. DANFORTH: I was very interested in the excellent brief that was put forward by Mr. Walls. My only regret is that he did not deal in the same detail with all the points as he did with (e). Because of this I would like if I may to pursue the matter a little further. As you appreciate, the committee is very desirous of obtaining all the information pertaining to feeder costs clear across this country.

Is it the fact that you dealt particularly with section (e) and the \$4.40 per ton because, as far as you in British Columbia are concerned, in your opinion this is the major difference in feeder costs across the country?

Mr. WALLS: No. Let me put it in this way. We knew through the Canadian federation that the maritimes and other parts of Canada were presenting cases peculiar to themselves. Therefore, all we presented was what we considered to be one inequity as far as British Columbia is concerned. We have not attempted to suggest to you an over-all feed grain assistance policy for all of Canada.

My own feeling would be—and I will qualify my statement by saying that I am speaking now strictly on behalf of Charlie Walls—that there should be a figure established as the net amount of freight that should be payable by the feeders at all points. That would seem to me to be the way in which you would obtain equity. If that were granted, I would even go a step further. I would make it applicable to Ontario soft grain because there are times at which they have to compete and ship. I would also make it applicable to the odd year in the prairie provinces where feeders in one part of the prairies have been dried out and have had to buy grain from another part of the prairie provinces. I would make it a policy available to all of Canada.

In other words, I think you could arrive at a net freight cost that would land the grain at all points at the same amount to the feeder. To me, that would seem to be the only equitable plan of feedfreight assistance. Again, I want to qualify this by saying that I am speaking on behalf of myself and not on behalf of my organization.

Mr. DANFORTH: I appreciate this, Mr. Walls, but once again you are speaking specifically with regard to feed freight assistance. What I would like to know is whether you feel this is the only major point on which there could be a variance in price to the actual feeder in British Columbia.

Mr. WALLS: Yes, I think so. I checked some of the handling charges in eastern Canada and I found that ours are pretty well uniform when we draw from the terminal. There may be some cases of oduble handling in the east with which we do not have to contend. You will realize that we have no trucking from rail points to distant points as in eastern Canada. Therefore there is that advantage. We do not encounter such extra handling charges.

Then, of course, we have not asked for any storage because we have not suffered from lack of storage from the terminal elevators from Vancouver.

Mr. DANFORTH: I appreciate your answers and I think they are getting to the information that I would like to see on the record.

May I put it in another way? Let us suppose that the difference in the actual feed in a northern part and a central part of British Columbia owing to freight rates to a special feeder is ten cents. I am speaking of the difference in cost to two feeders, one being in the central part and one being in another part. This is due to the difference in price each has paid in freight.

Mr. WALLS: No, in British Columbia, as you will understand, the feeder in the central part of the province would pay \$4.40 plus the difference, just as we would at the coast.

Mr. DANFORTH: I appreciate that, sir, but suppose there is a difference of ten cents. Could there be a difference of 30 cents owing to a feeder paying one mill operator more for concentrates than another mill operator?

The point I am trying to get at is whether there is a place in British Columbia where a poultry feeder may pay \$80 per ton for wheat and another operator may pay \$90 per ton for feed, a difference which would not be directly traced back to the difference in freight.

Mr. WALLS: I do not believe so. We went into this when they discussed with us the idea of putting in zones, similar to the situation in eastern Canada. We discussed it with the people who use feed and our member co-operatives who buy feed. The prices are pretty well uniform in all the feeder points in British Columbia. In other words, the feeder in the eastern part of British Columbia might get his meat scrap or some other protein at slightly less—I will agree with that; that is quite possible because it would not be freighted as far as Vancouver. It is just possible, yes, that there could be some difference.

I have to amend my answer. I think it would be possible on concentrates. On the other hand, they are much smaller purchasers of these concentrates than are the feeders at the coast, so it would be equally possible that they would have to pay that much more for a concentrate through not buying it in quantity.

Mr. FORBES: Are these concentrates eligible?

Mr. WALLS: No.

Mr. FORBES: The hon. member was getting at that. He wanted to know why there was differentiation between the cost of concentrates at Prince Rupert, for example, and Vancouver.

Mr. WALLS: I am just saying that the price of concentrates at Prince Rupert would be exactly the same as the price of concentrates at Vancouver, to use your illustration. The price might be less if you were buying feed in the east Kootenays; but most of our feeders, you see, are concentrated in the lower mainland of British Columbia and in the north Okanagan area. We have only one per cent of our land in use at the present time, and we have a potential of only about twice that amount. It is all done in a couple of valleys.

Mr. DANFORTH: I will go a step further, with your permission, Mr. Walls.

This committee is very concerned and interested to know if in any specific region in Canada there is a possibility of any excessive profit taking in regard to handling grain or concentrates or delivery charges to a special area or to a group of feeders. Is there sufficient differentiation in British Columbia, over and above the normal that you would expect to pay for the difference in freight costs, to lead you to suspect that there might be excessive profit taking?

Mr. WALLS: No. I think we have enough feed co-operatives to keep a control on price. I do not say that they sell at any better price, but at least they are a factor there that would prevent excess profit being taken.

For instance, we have one co-operative in the Fraser valley that sells about 30 per cent of all the feed grain that is sold in British Columbia. I would imagine, though I do not know, that it would be the price setter. I really do not think that we would have any material difference in the cost of feed grain in one part of the province and another.

Mr. DANFORTH: There would not be more difference than you would expect, taking into account freight and handling charges.

The CHAIRMAN: Mr. Mullally.

Mr. MULLALLY: Mr. Walls, I would like first of all to congratulate you upon your very excellent brief. I think the detailed tables you gave us were very helpful to us in trying to obtain a better understanding of this problem.

If you would turn to page 5 of your brief I think I could possibly refer to the matter on which I would like a little further explanation.

The first figure you give is for the export freight rate from Calgary, which is \$4 per ton. Then you have the domestic freight rate. What is the difference, and who gets this difference? Does the wheat board pay \$4 on this grain and then charge \$14 or \$13?

Mr. WALLS: The grower in the prairies has to pay, first of all, all of the export rate on grain to whichever of the two main terminals he ships. If it is sold for domestic purposes, then that is paid back. It is paid back into the pool because, you see, a man who is shipping grain does not know whether his grain is going to go to the domestic market or to the export market. It goes back into the pool and they all benefit because the feeder then pays that amount of freight.

Mr. MULLALLY: Back into the freight pool?

Mr. WALLS: No, back into the wheat price pool, the price that he gets on his second or third payment on wheat.

Mr. MULLALLY: How much does the railway get? Do they get \$4 or do they get \$13?

Mr. WALLS: The railway then gets the \$13. I would like to point out some thing as a sidelight on this and something that people have considered as grossly unfair over the years. When the Crowsnest pass agreement was put into effect, it covered the movement of grain east to the head of the lakes. In 1927, under the unjust discrimination clause, the transport commission granted to Vancouver the same rate but only for export grain. I am not criticizing the Crowsnest pass agreement. The Crowsnest pass agreement covered all grain going to the eastern terminal. When they decided there was now a terminal in Vancouver that was shipping a lot of grain although under the unjust discrimination clause the rates must be equal, they applied it only to the export grain and not to the domestic grain. For many years we have felt that if the unjust discrimination clause were applied in its entirety, then all grain to the west terminal should be the same. However, if that were done there would be no feed freight assistance and our rate would be \$4, roughly. So that if we can get it at \$4.40, it would not be too much out of line. This is only another argument why we should get our grain at a flat rate.

Mr. MULLALLY: I have another point concerning the Peace river area. How much grain is grown there and why do you now not use more grain from that area?

Mr. WALLS: There are a number of factors involved in that. In some years their grain is of too high a quality so that it does not make feed grain. The second point is that there is not a sufficient quantity growing there for our feeders. I therefore presume that the wheat board allots the wheat according to the grain and to the need. I have some figures regarding how much is shipped. In 1962 we got 39 per cent of our feed requirements from the Peace river. Feed freight assistance was paid on 190,000 tons. I got these figures from the Pacific Great Eastern Railway which in that year brought down for domestic use 74,000 tons, that is 39 per cent of our requirements in 1962. That will vary greatly. It will depend on the crop, for instance. If it is a poor crop, we will probably not get as much from them.

Mr. MULLALLY: You said your federation is not complaining about the \$4.40 you have to pay. You are complaining about the additional charge. You explained that in some way this could be eliminated. To continue along that line, would you say that your federation is satisfied with the present feed grain assistance program, and, if not, what changes would you suggest?

Mr. WALLS: That is a very hard question to ask of a representative of the farmers.

Mr. MULLALLY: What changes would you suggest to improve the present plan?

Mr. WALLS: We sat down and discussed it and this is all we are suggesting as far as British Columbia is concerned. If you grant something away out of

line to eastern Canada, then I am not saying we would not be back knocking at your door. There must be some degree of equity. If you are going to give something to this part of Canada, then the feeders elsewhere must be considered on a similar basis. We would be quite pleased if feed freight assistance were continued. Our biggest objection is to this extra amount that nobody takes into consideration. It is not quoted in the house or anywhere else. Maybe it is not fair of me to do this but let me say that on August 28 the Hon. Mr. Sauve stated that there will be no balance of transportation costs greater than \$2 per ton by the least cost method of transporting grain. I would be very foolish if I said that we would be satisfied with \$4.40 if you are going to bring it down to \$2.

Mr. MULLALLY: Are you not able to take advantage of truck assistance?

Mr. WALLS: Not at the present time. Since they opened the new highway there has been some thought given to that but that will depend on the ability to get return loads in that type of truck. There are one or two points that cannot get the full benefit of grain assistance to the same extent as we can in Vancouver, if the grain comes from Peace river. I am thinking, for instance, of ranchers in the Kamloops area. As the grain comes down the P.G.E. they can draw only board grain from the prairies. We can draw non-board grain from the Peace river. The situation could arise that if they got trucking assistance from Clinton, which is a matter of 25 to 30 miles away, it might put them in that position. However, we consider that we should be looking at the whole broad picture.

Mr. MULLALLY: I have one final question. Does your federation favour the establishment of a feed grain agency which has been recommended by the national organization?

Mr. WALLS: The national body is anxious for it, and I see some reasons for it. My own federation is right on the fence regarding this. I think you had better consider the national picture which is more representative than ours, and we will back up whatever the national body wants. As far as the farmers within my own federation are concerned, they are lukewarm on it.

Mr. WATSON (*Assiniboia*): I have a supplementary question with regard to freight rates from Calgary to Vancouver on domestic and export grain. Am I right in understanding that if the grain is shipped from Calgary to Vancouver for export the total cost of freight is \$4 per ton but if it is shipped to Vancouver to be used internally in Canada it is \$13?

Mr. WALLS: Yes.

Mr. WATSON (*Assiniboia*): To carry this a little further, when you are bringing grain back from Vancouver you mentioned I believe it could possibly be picked up from a terminal in Vancouver. If this were the case, it could go into Vancouver and you would pay for the back haul?

Mr. WALLS: Yes, there are not many cases of this. This large co-operative I was talking about happens to be in Cloverdale and when they draw from the terminal they have to pay a 70 cent back haul, but we are not complaining about that. If they buy their grain in carload lots, then they can get it without it going into the terminal. It is swung on to this branch line and they get it at the same rate.

Mr. WATSON (*Assiniboia*): In other words, if it is shipped from Calgary or Lloydminster, it stops at the place where it is going to end up and does not have to go into Vancouver?

Mr. WALLS: That is right, and irrespective of where it stops the net freight is \$4.40 plus the difference in domestic freight between the point it was grown at and Calgary. In other words, every feeder in the province buys his feed at the same net freight cost.

Mr. JORGENSEN: Mr. Chairman, the wheat board have the sole responsibility in determining where the feed grains originate. Could you explain why this is so?

Mr. WALLS: Of course, they are the single system of marketing grain and I would imagine that they are not going to ship grain. For instance, we might find out that there is a place in Saskatchewan or Manitoba with a very high protein content which is higher than the content of grain in the place from where they want to ship, but that it would be more advantageous from the standpoint of marketing for it to be handled that way. I do not know whether I have given you an answer to your question.

Mr. JORGENSEN: It is largely because the wheat board is in a position to know where the feed grain varieties are available.

Mr. WALLS: That is right.

Mr. JORGENSEN: In your brief you dealt primarily with feed freight assistance, and we are very glad to have this viewpoint expressed. Most of the briefs which have been presented to us prior to yours have dealt with other aspects of the feed problem rather than freight assistance. You have not mentioned this and I am wondering whether we are to assume that you are reasonably satisfied with the handling of feed grains in British Columbia, if you feel that the competitive factors that do exist in British Columbia do keep a check on the tendency to charge exorbitant prices for handling it, and so on. I would also like to know to what extent your co-operatives in the province of British Columbia are instrumental in maintaining this competitive feature.

Mr. WALLS: I think of course that they are the prime instrument in doing that. Perhaps it is not fair to say that. They are there, and I would assume that if they were not there we would have to pay more. Nevertheless, if there are enough competitors, it is possible that it would not be so. I am satisfied that in British Columbia our feed grain prices are relatively fair. Many of the smaller feeders pay prices higher than I have quoted by about \$13 a ton, but that \$13 a ton covers resacking into 100 pound sacks, the giving of credit, and delivery to the farm.

Mr. JORGENSEN: Does the feeder in British Columbia take advantage of his own storage facilities to store his own grain?

Mr. WALLS: The larger feeders do, and of course we are gradually getting into a specialized form of agriculture so there is more and more of that. If they happen to be adjacent to a large feed company, they will buy it by the ton and pick it up themselves.

Mr. JORGENSEN: Is there a very great fluctuation in the price of feed grain in British Columbia from one period to the next?

Mr. WALLS: No, I can give you some idea of the prices compared with a year ago. For instance, our wheat is \$11 a ton higher than it was a year ago, owing to upgraded world prices plus, of course, one of the few adverse effects of the devaluation of our currency. Our oats are \$5 a ton more than they were a year ago, and our barley is \$4 a ton more than a year ago.

Mr. JORGENSEN: I presume your organization keeps a very close check on feed grain prices in British Columbia and compares them with the selling prices of the Canadian wheat board?

Mr. WALLS: That is right. In fact, we have on our board of directors one director whose sole function is that. He is called our feed grain director and his function is to specialize in feed grains and feed grain prices.

Mr. JORGENSEN: And you have found this to be a useful function? Does he perform a useful role? Has he ever detected any departure from the quoted prices of the Canadian wheat board, that is that the price of the feeder does not vary greatly from one period to the other?

Mr. WALLS: You must realize that each of the pools and the United Grain Growers is competing against each other. They are anxious to get the shipments of these grains. As far as the price we would pay is concerned, it would only vary on wheat and oats. I am thoroughly satisfied with this.

Mr. JORGENSEN: So that you would say that apart from the features of the feed grain assistance program which you have outlined in your brief you feel that the prices of feed grains in western Canada, or in British Columbia, are not out of line with the actual costs?

Mr. WALLS: I do not think so.

Mr. BARNETT: Mr. Chairman, I have one or two questions I would like to ask, partly by way of explanation. Since I am from that area you will understand my interest in the first page of the brief, the last item under (f) which makes reference to coastal points served only by water. I would like to ask first of all whether Vancouver island generally comes under that classification?

Mr. WALLS: The wording here is simplified. What they say is that all we will allow now is the freight rate to the coastal areas less \$2.60. In other words, all points that are on the Nanaimo railway, the railway going up to Courtenay, benefit by the \$4.40 plus \$2.60, which is the equivalent of what Courtenay would have received if it shipped its grain by rail. There may be places, for instance at Bella Coola and Prince Rupert, that will not benefit. There is not a great deal of grain that goes up there, but there is no doubt that there are some farmers in that area who will not do as well as they did under the previous field freight assistance where they got the complete freight paid to its destination.

Mr. BARNETT: That was the first thing I wanted clarified, whether it applied basically to all points on the coast, including Vancouver island, which is served by the Nanaimo railway.

Mr. WALLS: May I interrupt? Although we have had no representations, there might be places where trucking assistance might be helpful. For instance, there are some farms in Alberni where the freight between Nanaimo and Alberni by truck might be considered.

Mr. BARNETT: The railway does not run to Alberni.

Mr. WALLS: Then I am wrong. Your knowledge of the geography of your riding should be better than mine.

Mr. BARNETT: I would think then that the people of that area would all get \$2.60?

Mr. WALLS: That is right.

Mr. BARNETT: My next question is with regard to points up the coast which have no other service than by means of water.

Mr. WALLS: They are now going to suffer. They will not get as much freight assistance as before because before the water freight was completely paid, whereas this \$2.60 does not cover it.

Mr. BARNETT: Could you give us any figures regarding the difference between the actual freight and the \$2.60?

Mr. WALLS: I am afraid I do not have them. You understand that there are relatively few farmers in these areas. They are not organized into any body that could make representations to us. I just know that there happened to be some farmers there and that their position cannot be as good as it was, but I have not received any representations regarding it.

Mr. BARNETT: Could I observe, Mr. Chairman, that from my reports and my observations there are more abandoned farms there than there are farmers,

and that at one period, dating back to the 1930's, I have been informed it was economic for quite a number of people on a small scale to go into poultry and livestock.

Mr. WALLS: It is certainly a fact that these outlying points are at a disadvantage. However, as far as the lower mainland and most of Vancouver island is concerned, they are about 60 cents better off than they were.

Mr. BARNETT: Do you feel that the extra \$2.60 does put Vancouver island on a more competitive basis than the other areas?

Mr. WALLS: Oh, yes, it certainly does.

Mr. BARNETT: The other question I had in mind was a more general one, particularly in view of the figures regarding the price of steers, hogs and other products in various points across Canada. This matter has already been covered but I listened with interest to the remarks you made in your personal capacity. I was curious to know just why the British Columbia federation indicated that they were relatively satisfied with the \$4.40 charge in view of indications of a fairly uniform price to farmers in various points across the country. I notice in the figures you have quoted here that prices for steers are actually lower in Vancouver than at other points, and prices for hogs are a little higher.

Mr. WALLS: Broilers do a bit better because we are the only area that has a unique marketing system for broilers.

Mr. BARNETT: I am a little puzzled. What is the reason for it?

Mr. WALLS: I suppose it is surprising. I suppose some of my own members will say, "Why did we not ask for more?" It is very easy to ask for more. I think you must keep in mind that there must be a degree of fairness not only between ourselves and eastern Canada but a degree of fairness between ourselves and the livestock and poultry producers in Alberta who compete on our market. We figured that this is all we should ask for, to get this flat uniform rate. Again I am speaking entirely on my own but I think that every feeder should pay some freight. That is my personal view. I do not think you should make a profit on the feed freight assistance. I think it would be quite possible to have a net feed freight in all points in Canada of somewhere around \$2 to \$3, and then there would be a uniform policy. All we have been asked for is to give our reactions on what we felt was wrong with the eastern policy as far as British Columbia was concerned and not as it applied to eastern Canada. I only used these figures to show our position. When the people in the feed business and the growers got together they said that they felt we should concentrate, and instead of trying to cover the whole broad field of feed freight assistance deal with this one inequity. You place me in a rather difficult position because I am quite sure we would like to get the grain as cheaply as we possibly can.

Mr. BARNETT: I was just wondering whether there were possibly some other factors involved in the cost of production which would put the British Columbia feeder in a relatively even competitive position. You mentioned that Alberta influenced the federation in coming to us.

Mr. WALLS: I think you would get a lot of opposition from Alberta to the feed freight assistance plan if you reduced it to such an extent that we would be able to produce and sell on the Vancouver market at greater advantage. I think we could go down to about \$3 a ton quite well and still retain a degree of fairness, but my brief deals only with one item of feed freight assistance because I thought that that was what we were asked to present.

Mr. BARNETT: What I am interested in is the cost of freight of the finished product as between eastern Canada and the lower mainland marketers.

Mr. WALLS: You have to keep in mind that about half of the beef sold on the Vancouver market has to come from Alberta, a large percentage of hogs, practically none of our eggs and very little of our chickens and turkeys. Ours is a market with which they have to compete, and they pay freight on the finished product. Of course, they buy their grain from one another at a very much lower price than the feed freight assistance gives it to us. One thing equalizes the other. There is no question in my mind that there is a necessity for feed freight assistance from that standpoint.

I think it would be quite possible for the prairie provinces to produce most of the livestock if they could be assured of a continuity of supply, but many of the farmers in the prairies who can make their living selling grain do not want to get into these sidelines, and so for a guarantee of continuity of food supplies to our people you have to give some encouragement to the feeders adjacent to the large urban consumer points such as Toronto, Montreal and Vancouver. I believe there is a great need for a freight assistance policy. I think there would be a terrific economic upheaval if, after operating under this for 20 years, it were taken away. I also think that in spite of everything it is a fact that we would be pleased if we bought all our grain at \$4.40.

In your final judgment you have to see that feed grain gets to all the feeders at approximately the same net cost because the price they receive for the produce is approximately the same. Although I appeared to be satisfied with \$4.40, if, as a result of your deliberations, you are going to find that the price of feed grain is going to go down in all of eastern Canada to \$2, then I think you must overrule my brief and apply it to British Columbia on the same basis.

Mr. BARNETT: I have one other question having to do with those areas within the province of British Columbia. It seems to me I recall reading about some considerable discussion of the position of people desiring to raise cattle in the Williams lake area. You also mentioned some areas in Vancouver and the lower mainland.

Mr. WALLS: Yes, there are beef and cattle growers in Cariboo, and I should not have overlooked that. They benefit from the Peace river grain which comes down.

Mr. BARNETT: You say that by and large they get a larger percentage of their supplies from the Peace river?

Mr. WALLS: It would be more economical for the wheat board to decide that the grain should be drawn from Peace river rather than from points in the prairies. There is no doubt that most of their grain comes from Peace river.

Mr. BARNETT: You made reference to the fact that Peace river grains cannot go into the Kamloops area because of a lack of connection between the Pacific Great Eastern and the national railways. I do not suppose there have been any recent discussions regarding the building of a new branch line?

Mr. WALLS: I do not think so. The Canadian National Railways and the Canadian Pacific Railway are already serving us from Alberta and I would not imagine it would be profitable for Mr. Bennett to put a branch line to Kamloops.

Mr. BARNETT: You did suggest that the lack of that might be logical ground for truck assistance.

Mr. WALLS: Yes, I think that is one area. In fact, if this committee wished to do so we could go back and see if there are other areas which are prejudiced. I might say that we have had no representations made to us on this. I do realize that there is one place where they do not benefit from the Peace river grain; that is in Kamloops. It is a fairly good feeding area.

I question if there is any more than that.

Mr. BARNETT: I think that is all, Mr. Chairman, for the moment. Thank you.

The VICE CHAIRMAN: Thank you very much, Mr. Barnett.

Mr. Olson.

Mr. OLSON: In paragraph 17 of your brief you say:

We must in fairness state that when our feeders—particularly in the lower mainland of British Columbia—order their grain to be shipped direct from Alberta, the agents for the wheat board attempt to supply it from points as close to Calgary, Edmonton, or Lethbridge as is possible so that we do not have to pay an excessively high extra freight above the \$4.40.

You go on to say:

In many cases, however, it is more convenient to both buyer and seller for our feeders to draw the grain direct from the Vancouver terminals, and in such cases the grain often originates from more distant points, causing a higher freight cost.

Mr. WALLS: Yes.

Mr. OLSON: When you buy this grain from the terminals in Vancouver how do they establish the price? Is there a uniform price average?

Mr. WALLS: Yes, it is exactly the same thing. The only thing that is different is the handling charge. Again, they tell you where the grain that they are giving to you actually came from. So, in this case, it could be grain from the borders of Saskatchewan, you see. In other words, if I am in the Fraser valley I telephone the terminal to buy from them a ton of No. 5 wheat. They charge me a fixed amount for handling because they have to take it into the terminal and put it into a truck to come back out. That is the only additional charge I pay. However, when you bring it in yourself the agents of the wheat board attempt to get it as close to these points at Calgary as possible because they are competing with each other. In other words, the closer the point at which they can obtain the grain they give you the less extra we have to pay. That does not apply to the grain that has already gone into the terminal, grain which could have come from Saskatchewan for example. In that case we would have to pay more freight.

Mr. OLSON: So there could conceivably be a different price for each load you buy from the terminal?

Mr. WALLS: That is right, but there could be a different price for each carload of grain that we bought direct as well.

Mr. OLSON: I understand.

Mr. WALLS: Yes; you are quite correct.

Mr. OLSON: I have one other question with reference to something that I believe was raised by Mr. Jorgenson which I did not clearly understand.

You put forward some figures with respect to the variations or fluctuations in price as between this week and the same week last year, and so on. I did not understand you to say whether or not there were any serious fluctuations between buying grain in October and buying grain in March. Is there a consistent fluctuation then?

Mr. WALLS: No. Some of the members here will know wheat marketing better than I do. Your wheat, of course, is based on a price negotiated through the international wheat agreement; but oats and barley of course, are subject to bids. Naturally, one has more fluctuation on oats and barley than on wheat.

I regret that I have not all the variations in price in front of me, but looking at each week there is very little variation. For instance, I have two

weeks together here and the prices are identical—one week following another. I do not think we have a great deal of fluctuation. We are not up against the same situation as in the east where, from the standpoint of storage, they purchase at certain times of the year as against purchasing at other times.

Mr. OLSON: I see; that is clear.

Of the grain that you bring down from the Peace river area of British Columbia, I suppose almost all is purchased outside the wheat board?

Mr. WALLS: That all depends on the time of the year. The only reason for which a man would sell outside the wheat board would be if he needed money, if he were on a quota. Rather than carry it in storage he would sell it for slightly less money.

You will realize that the farmer himself does not actually sell the grain. Most of the agents of the wheat board have set up subsidiary concerns to buy the non-board grain because if the farmer had to ship it he would have to shovel it out. For that reason, it is handled in this way.

Quite a lot of the grain even from the Peace river area will come both ways—both board and non-board. I would say that if we can manage it it will come non-board, yes.

Mr. OLSON: There would be no real advantage in buying wheat from the Peace river area of British Columbia from the Canadian wheat board?

Mr. WALLS: No, except it is a place which is closer to Calgary and the rate is lower than would be the case if one were to buy it from other points in Alberta. It is only 20 cents more when we bring it down from Dawson Creek. We pay only 20 cents above; we pay \$4.60. There is therefore an advantage in buying from the Peace river area; but again, when you buy through the board the decision is with them not with the buyer of the grain. When one buys it through the board, in other words, if in order to fill up the quotas they decide that it should be drawn from the Peace river area as against drawing it from Lloydminster or some other place, they are the people who make the decision.

Mr. OLSON: I have one other question and it may not be a fair question because I will be asking for your opinion.

Would you agree that the feeders on the prairies could be at a very serious disadvantage even now in relation to feeders in other parts of Canada? Would there be a disadvantage to them caused by the feed grain freight rate assistance if they were required to pay wheat board prices for their grain even at the point of delivery where they take it?

Mr. WALLS: I honestly do not know.

Mr. OLSON: I ask you that because it is a matter of major concern to the feeders on the prairies.

Mr. WALLS: I can quite understand that it would be. I am not trying to evade your question but I am not in a position to know. For quite a long while they did it, you know.

Mr. OLSON: But they bought it outside the wheat board?

Mr. WALLS: Yes; they circumvented the wheat board. There was a lot of trading of wheat for trucks and things for a number of years, which I think has now stopped because of the possibility now of selling to feed companies.

To leave the economics of it, basically is it not according to the intent of the British North America Act that something produced and consumed within a province shall be provincial jurisdiction rather than federal jurisdiction? If there had not been agreement in these provinces to the wheat board act, then at all times people within the provinces would have been able to buy the grain without having to go through the wheat board.

Mr. OLSON: I do not disagree with that. I am just drawing this to your attention. Even at the present time the feeders on the prairies paying the current prices would be at a disadvantage if they were to buy their grain from the same agency.

Mr. WALLS: I would think so.

Mr. OLSON: Because of the freight assistance?

Mr. WALLS: That is right.

Mr. OLSON: Therefore, if there is to be any additional assistance given, to be fair it would certainly require parliament or the federal government to look very seriously at the matter of also providing freight assistance for finished products to markets such as Toronto and Vancouver. I was very pleased with your attitude in suggesting there ought to be a degree of equity.

Mr. WALLS: Yes, I must admit that. Mind you, you are dealing with the prospect that the feeder on the prairies is buying his grain. Many feeders are feeding their own grain—some of it, perhaps, of a lower grade. So there are other aspects to the matter. The fact that the Peace river people are prepared to sell us grain at less than the board price would indicate that the price at which they are prepared to sell is about the value of the grain to the grower, which would be the case on the prairies also, would it not?

Mr. OLSON: Which could be a distress offering too, could it not?

Mr. WALLS: It could be, yes. Of course, I do not know, and I do not want to do anything that is going to be contrary to the interests of any farmer across Canada. I do not think freight assistance should be used to gain an advantage for a farmer in one part of Canada as against a farmer in another part of Canada—definitely not. I agree with you that all these things must be taken into consideration.

Mr. FORBES: May I ask a supplementary question, Mr. Chairman?

It is usually assumed that feed freight assistance is a subsidy to agriculture. Would you agree that this is so?

Mr. WALLS: Yes.

Mr. FORBES: Would you agree that this feed freight assistance is actually a subsidy to the consumer?

Mr. WALLS: Yes, it is. It is in so far as any farmer has any ability to set his own prices. In brief, I would say that the United States perhaps sets our prices more than we do ourselves, and they can buy corn which is very good from the point of view of the nutritional content. They can buy that quite cheaply. For instance, if we had no feed freight assistance, without a doubt in many instances feeders in eastern Canada and British Columbia would be buying United States corn in preference to prairie grain. You have seen that happen in eastern Canada in the last few years.

Mr. DANFORTH: May I ask a supplementary question on that very point? I am referring to this matter of corn.

You speak of corn and you speak of corn from the prairies. Is there a quality of corn—

Mr. WALLS: No, I say United States competitive grain, particularly for poultry. I think poultrymen prefer corn to other grains.

Mr. DANFORTH: Where does your corn come from? Does it come from the United States?

Mr. WALLS: Some comes from Canada. There is some feed freight assistance paid on corn. There is some grain in eastern Canada; Ontario grows quite a lot of corn. If we were buying our grain it would come from eastern Washington.

Mr. JORGENSEN: Is it not a fact that feed freight assistance is designed primarily to make western feed grains competitive with United States corn?

Mr. WALLS: That is right. The MacPherson royal commission stated it. I believe I could quote you the page number.

Mr. MANDZIUK: Mr. Chairman, my first question is of a general nature. Take wheat as a whole, is the federation trying to point out that the producer or the feeder receives practically the same return in British Columbia as the producer or feeder in the east, but the cost of feed is higher to the British Columbia producer than it is to the eastern producer? Is that the main theme. of your brief?

Mr. WALLS: No, that is not the main theme. We recognize that we are paying more, but we only use it as an argument as to why that is all that we should pay in this brief. In other words, the regulation issued states that we pay \$4.40 but we do not pay \$4.40. All we are trying to say is that if we pay just the \$4.40, that would be fairer than the way it is right now. My argument was that we were alone. I do not want to get into an argument with eastern Canadian farmers on who gets the worst or the best deal. I wanted to avoid that. But I did want to show you that there is inequity in the price established for us, and my whole brief was on that point. I knew that the Canadian federation was presenting a national brief. Therefore I presumed what you wanted from us were the factors which affect British Columbia only.

Mr. MANDZIUK: If you do not pay \$4.40, then what do you pay?

Mr. WALLS: On the average we pay about \$1.50 more than that because we have to pay the \$4.40 which is based on the fact that all the grain comes from Calgary, whereas all the grain does not come from Calgary; they draw grain from all over Alberta, and we have to pay the domestic rate from the point it was grown to Calgary. When you buy eastern grain, you buy it at one fixed price, for the grain as laid down at Fort William. So your eastern growers know that if they bring grain in by the same freight method, whether it be by water or by rail, they will get their carload of grain at the same price. But we do not know that, because it depends on the point on the prairies at which it was grown.

Mr. MANDZIUK: Thank you. I have another question on page 3 which is not clear to me. You say Truro \$1.10 per ton minus and Sydney, \$1.30 per ton, presumably plus.

Mr. WALLS: Yes.

Mr. MANDZIUK: Would you please explain that? I am not clear on it. Possibly other members are, but I am not.

Mr. WALLS: Well, I am not too clear either. Under the present policy, you set the rate according to zones, and there is quite a variance between one point and another depending on the railroad, the use of water, as I understand it. That is about the only answer I can give you. I understand that the biggest complaint by the maritimes is the fact that it does not take into consideration quite a number of handling charges that they have to pay. That I believe is their biggest complaint against the thing as it stands right now. But I am afraid when you come to the question of why things are one price at one part of eastern Canada compared to another, I think you would do better if you asked the people who come from there. All I did was to write to Ottawa and call attention to these representative rates, and say that we were pretty nice fellows and wanted to accept \$4.40.

Mr. MANDZIUK: How much of this feeder stock is for domestic market only? Are you supplying domestic markets only, or is there any stock going to export?

Mr. WALLS: You mean is our livestock for domestic purposes?

Mr. MANDZIUK: Yes.

Mr. WALLS: Yes, almost entirely.

Mr. MANDZIUK: That is livestock, poultry, and eggs?

Mr. WALLS: That is right. We do practically no exporting whatsoever.

Mr. MANDZIUK: You can pretty well control prices by not flooding the domestic market.

Mr. WALLS: Well, we have Alberta right beside us and if we attempted to do that at a price which would be unfair to the consumer, we would pretty soon not have any control price.

Mr. MANDZIUK: One other question: you make no specific recommendation in your brief, which is usual in briefs. You simply stated your cost.

Mr. WALLS: I do make a specific recommendation, that all grain be landed irrespective of its origin at a net cost to the producer of \$4.40 a ton at British Columbia. That is all I have said in this brief.

Mr. MANDZIUK: Thank you. I would like to join the other members of the committee in congratulating the federation for the brevity of its brief. Some briefs are not. But Mr. Walls has been very kind and has been good enough to answer all the questions. I know he has answered mine to my satisfaction. I thank you.

Mr. WALLS: Thank you.

Mr. DOUCETT: You say Truro and Sydney \$1.10 per ton minus, and \$1.30 per ton plus, respectively.

Mr. WALLS: That means that they get a profit on the freight assistance over and above the freight. I am not taking into consideration the handling charges which might very well be \$2.00; but on their freight alone to that point, the freight assistance is \$1.50 more than the actual freight by water.

Mr. BERGER: Mr. Walls has already given answers to the questions which I intended to put. But I would like to know, in order to obtain needed help as required according to your brief, which is very well put, if he thinks the wheat board itself is important with its present regulations, or would it have to be handled by the government?

Mr. WALLS: You have to think of what the wheat board was set up to do; it was set up to obtain the best selling method and the best possible price for the grower of grain in Canada. And our whole economy is highly dependant on grain as an export commodity. So I do not think you can ask one organization to be both the most astute seller as well as the most astute buyer. Therefore, if any organization is going to be set up to represent the buyers of grain, it should be separate and distinct from the wheat board, so that the two agencies, the single buying and the single selling agencies can then battle it out.

Mr. BERGER: What do you think the government or the Minister of Agriculture should do? Should they pay higher rates in order to meet your needs?

Mr. WALLS: It would not cost them very much to make it more equitable. I figure that all this is asking for would be something under \$200,000 to do away with this anomaly which I have brought out, over our having to pay more than \$4.40. Then I would say it depends on the kind of freight policy you decide for the rest of Canada. You would agree with me that there must be equity between one place and another, that is, between the feeder at one point and the feeder at another point.

Mr. BERGER: I thank you for your answers.

Mr. OLSON: I have one question. I presume that the screenings taken from export grain at the terminal elevators on the coast are not an unimportant factor in the total of feed used by feeders, particularly in the lower mainland.

Mr. WALLS: Yes, I believe so.

Mr. OLSON: How large a proportion of the total feed requirements are the screenings? Of course it is on feed which has reached that point from the prairie farmer, and on which he has received feed grain assistance.

Mr. WALLS: Actually, it is not very large. The last sheet I have from the federal government feed grain assistance office for the calendar year 1962 shows that out of 190,000 tons of grain on which they paid feed grain assistance, only 2,350 tons covered screenings. That does not give all the answers. I am not too clear how screenings are paid. But I imagine there must be screenings available when the grain is exported.

I understand that quite a lot of our screenings have been exported. Quite a lot of them are trucked over to the United States because the United States is willing to take them in at any time of year and store them, which is something that our feeders apparently do not have the facilities to do. In other words, you will find that a very high percentage of our screenings are exported. It is a problem to take them off the hands of the terminal, as the terminal turns them out, because they do not have the facilities to store them; whereas you will find that our feeders perhaps will draw them. They are quite bulky to handle; and our feeders will draw them in the feeding season.

Mr. OLSON: This is an important source of nutritious feed.

Mr. WALLS: That is right.

Mr. OLSON: At a very low price.

Mr. WALLS: Yes, except that the price has gradually been going up, and it is just about at the borderline. As your demand increases, this always happens. But I do know that a lot of the screenings have been going to the United States, because we have to buy a lot of our hay from the United States and the truckers come in with hay and take screenings back.

The one thing which would do more to keep screenings in Canada would be to provide storage facilities. I have not asked for storage facilities because I have not received any representations in that regard. But I do know that one of the reasons the foreign feeder is prepared to take them off our hands throughout the year is that he will look after the storage until required.

Mr. ALKENBRACK: Let me congratulate you on your very clear brief. It has even created an interest in someone like myself who is not a feeder. You say that all you ask is that you pay only \$4.40. Who are you asking to pay the \$8.60 in respect of the Calgary rate and, more realistically, the difference in the St. Albert rate, which is more than that.

Mr. WALLS: Yes.

Mr. ALKENBRACK: Who are you asking to take that up?

Mr. WALLS: The government under the feed freight assistance regulations. But, we would like to see permanent legislation made in that respect.

Mr. ALKENBRACK: You mean the rest of the people of Canada would pay for it.

Mr. WALLS: Yes.

Mr. ALKENBRACK: Including the feeders, who also are taxpayers.

Mr. WALLS: Yes.

The VICE CHAIRMAN: If that is all, Mr. Alkenbrack, would you proceed, Mr. Forbes?

Mr. FORBES: I have a supplementary question. Reference was made to the price of screenings. Would Mr. Walls care to give us a price on screenings at Vancouver. I have here in my possession a price list from Winnipeg. I would like to see how they compare, since you indicate there is a demand for these screenings in the United States.

The VICE CHAIRMAN: Have you that information, Mr. Walls?

Mr. WALLS: I was checking to see if I had. I only have the pickup price, which is by the 100 pound sack, in front of me, which is already ground and pelleted. We pay \$58 a ton for the ground feeds, and that would be, I presume, number one feed screenings. Which grade are you referring to?

Mr. FORBES: I am referring to wheat at \$40 a ton, barley at \$32 and cracked grain at \$26, and then it goes all the way down the line.

Mr. WALLS: We pay \$58 per ton for feed screenings ground.

Mr. WHELAN: Is that pelleted as well?

Mr. WALLS: No; I am sorry, it is just ground. I have not the pelleted price.

Mr. FORBES: There is quite a differential there.

Mr. WALLS: There is the same differential. You were reading off your wheat and oat prices as well, and there is about the same differential.

Mr. CARDIFF: Would you not be better off to buy the screenings and grind it yourself?

Mr. WALLS: I could not answer that question.

Mr. CARDIFF: Well, there is a \$18 a ton difference there.

Mr. WALLS: But, they are buying these screenings at their local pool elevators and it is a non-board item so, quite possibly, it is a much lower price.

The VICE CHAIRMAN: Would you proceed now, Mr. Gauthier.

(Translation)

The VICE CHAIRMAN: Mr. Gauthier, could you wait a minute—

Mr. GAUTHIER: Mr. Walls, you said that the main reason for the difference in the price of feed grain between Eastern and Western Canada was the difference in transport subsidy. However, you also said that your co-operatives dealt directly with the Canadian Wheat Board. Do you deal exclusively with the Canadian Wheat Board?

(Text)

Mr. WALLS: Yes. Actually, we deal with the agents of the wheat board, in other words, the Alberta wheat pool or the united grain growers. However, the order must be approved by the wheat pool office, and they decide on the location the grain must come from. They are the only people from whom we buy the grain though.

(Translation)

Mr. GAUTHIER: Secondly, the grain agencies of which you spoke a moment ago, do they have an influence on the sale of wheat in British Columbia? I understood that certain grain agencies, among farmers, dealt outside the Canadian Wheat Board. Is that of any value to the wheat market in British Columbia?

(Text)

Mr. WALLS: The only place they operate outside of the wheat board is in the Peace river block in British Columbia. That is the only place we grow grain commercially to any extent. It was decided some years ago because British Columbia had not signed or passed complementary legislation to the Canadian Wheat Board Act that the wheat board had no control on grain grown and consumed within the province. So, from the Peace river we got all the ranges, usually around 30 per cent of our requirements, outside of the wheat board.

(Translation)

Mr. GAUTHIER: Mr. Walls, a third question. Do you find that you save a lot of money by avoiding the Great Lakes wheat market where the Eastern provinces are obliged to go through?

(Text)

Mr. WALLS: We go through the same exchange for most of our feed grain; in other words, we buy our wheat and oats on the basis of the Fort William price, the same as eastern Canada does. We buy our wheat at approximately \$1 above that because the wheat board, in order to create equalization of shipping, has to pay an extra charge of three cents a bushel in respect of Vancouver as opposed to the head of the lakes in order that the grain will not be drawn on one route, and we have to pay the price of the shipping on that. That is, the concession that has been made in shipping. So, on wheat we pay \$1 more than the eastern grower pays.

(Translation)

Mr. GAUTHIER: Because of transport? You pay one dollar—

(Text)

Mr. WALLS: Because of the competitiveness between the two types of transport for export. In other words, the price is based on the price they can get for export grain. As things stand today, if they do not do that most of the grain from Saskatchewan would be flooding out to the Pacific coast, as a result of which elevators and shipping facilities would be tied up. So, in order to draw the crop equally and to use the lake shipping as well as the Vancouver shipping they have had to establish on wheat a slight differential in rate to offset the advantage we have in the shipping price. At least, that is the way I understand it.

(Translation)

Mr. GAUTHIER: That means that if we accept transportation, the prices you pay of the Wheat Board are comparable to those on the wheat market?

(Text)

Mr. WALLS: Yes, that is right, except that you buy it at one feeder's price, no matter where it was grown on the prairies or what freight has been paid by the grower to the head of the lakes. So, you buy it based on the price at the head of the lakes. Every grower buys it at one uniform price; the only difference is we have to pay from where it is grown to Calgary over and above that, and that is the difference between us.

Mr. WATSON (*Assiniboia*): Mr. Chairman, I have a supplementary question. Possibly it should be pointed out at this stage, that if a private feeder, right in his home town in Saskatchewan or Alberta, is not a producer of oats and barley but yet is a feeder and wants to buy it, he must pay the f.o.b. Fort William price the same as a man in the east or the west.

Mr. OLSON: Yes, but less the freight.

Mr. WALLS: Yes, less the freight. In fact, actually he can buy it at a lower price than the board price.

Mr. WATSON (*Assiniboia*): Yes, and he could buy it subsequent to the amendment that was made to the Canadian Wheat Board Act.

Mr. WALLS: The feed mills now can purchase directly from the farmers; farmers can buy from farmers and the feed mills can buy from the farmers.

Mr. WATSON (*Assiniboia*): This is true but if you are not in that position and must buy it from an elevator the situation is different. I can haul my oats into the elevator and receive approximately 45 cents or 48 cents a bushel, whatever the wheat board is paying for it. Yet, if someone else came into the same elevator to buy that out they would buy it based on the wheat board price, which is based on the Fort William price.

Mr. WALLS: With the freight deducted.

Mr. WATSON (*Assiniboia*): Yes.

Mr. WALLS: That is right.

Mr. WATSON (*Assiniboia*): With the elevator charges added?

Mr. WALLS: Yes. Well, of course, we all have to pay elevator charges. However, I do not think there will be very many in the prairies buying it that way. Do you not agree with me?

Mr. FORBES: Because the feed mills can buy it and the feeder can buy it from them this is no indication the feeder is buying it for less money. The feed mills are paying practically wheat board prices.

Mr. WALLS: I am not trying to imply that we are any better or worse off than they are in the prairies.

Mr. WATSON (*Assiniboia*): Mr. Olson brought up a point and Mr. Walls previously mentioned that possibly the prairie provinces could be included in this formula, under which they could receive freight assistance. When we are talking in terms of feed grain I am wondering whether the general public most of the time gets the idea we are talking of the feeder, who is strictly a feeder of beef cattle, because actually the dairy producer and all these people take advantage of this.

Mr. WALLS: Well, of course, it is set up for all of them. I presume that the raiser of poultry, meat and eggs, in proportion to the pounds of meat and so on that he sells, buys more grain than the cattle man does. So, this is of great assistance to the poultry man and the dairy farmer.

Mr. WATSON (*Assiniboia*): Then again, this is one form of subsidy. If we were thinking in terms of the feeder, the man who feeds beef cattle and who possibly is buying many thousands of bushels, could it not be equalized out better across Canada if the man who was feeding beef cattle did not get a subsidy on freight and the government came in and paid one cent a pound or something in proportion to this. Would this be a better way of equalizing the cost of this type of feeder across Canada?

Mr. WALLS: I would think you might run into difficulties at the odd time when you are in a position to ship feeder cattle to the United States because you would run contrary to the spirit of GATT in that you would be not selling to a foreign country at the subsidized price that you are selling to your own producer. I am only giving you my reaction off the cuff. I think it is better and more direct to give the subsidy on the feed than on the finished product.

Mr. JORGENSEN: Of course you would have an added difficulty with the subsidy on the feed; you have the factor of competitive grains from the United States and you would lose your sales of feed grain.

The VICE CHAIRMAN: Are there any further questions, gentlemen?

Mr. DOUCETT: Mr. Chairman, I would like to move a very hearty vote of thanks to Mr. Walls for coming here this morning and presenting to us his brief. He gave us a very concise outline of the British Columbia Federation of Agriculture. I am sure all of us have benefited greatly from his presentation.

The VICE CHAIRMAN: The motion is moved by Mr. Doucett, seconded by Mr. Cardiff, and I think it is unanimously agreed to.

Mr. WALLS: You gentlemen also have been very polite and a very constructive group of questioners.

Mr. CARDIFF: I might add that you have been the best witness we have had before this committee for some time.

The VICE CHAIRMAN: There is a motion to adjourn, moved by Mr. Mullally and seconded by Mr. Béchard. The committee stands adjourned.

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HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964

STANDING COMMITTEE

ON

Agriculture and Colonization

Chairman: RUSSELL C. HONEY, *Esq.*

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 10

Respecting

PRICES OF FEED GRAINS

THURSDAY, OCTOBER 29, 1964

WITNESSES:

From the National Farmers Union: Messrs. A. P. Gleave, President;
Stuart A. Thiesson, Secretary; Gerald Hutchison and John Alton.

STANDING COMMITTEE
ON
AGRICULTURE AND COLONIZATION
(Chairman:) RUSSELL C. HONEY, Esq.
(Vice-Chairman:) PATRICK T. ASSELIN, Esq.
and Messrs.

Alkenbrack,	Forgie,	McIntosh,
Armstrong,	Gauthier,	Muir (<i>Lisgar</i>),
Barnett,	Gendron,	Mullally,
Béchar, d,	Groos,	Nasserden,
Beer,	Gundlock,	Noble,
Berger,	Horner (<i>Acadia</i>),	O'Keefe,
Brown,	Howe (<i>Wellington-</i>	Olson,
Cardiff,	<i>Huron</i>),	Peters,
Choquette,	Jorgenson,	Rochon,
Cooper,	Kelly,	Roxburgh,
Crossman,	Konantz (Mrs.),	Southam,
Cyr,	Korchinski,	Tardif,
Danforth,	Langlois,	Temple,
Dionne,	Laverdière,	Vincent,
Doucett,	Lessard (<i>Lac-Saint-</i>	Watson (<i>Assiniboia</i>),
Drouin,	<i>Jean</i>),	Watson (<i>Châteauguay-</i>
Émard,	Madill,	<i>Huntingdon-</i>
Éthier,	Mandziuk,	<i>Laprairie</i>),
Fairweather,	Mather,	Webb,
Forbes,	Matte,	Whelan—60.
Forest,	McBain,	

Quorum 20

D. E. Levesque,
Clerk of the Committee.

CORRECTION

Proceedings No. 8—Tuesday, October 6, 1964.

In the evidence of Montreal Corn Exchange Association—Page 244, paragraph 5, line 3, (Mr. Forbes speaking) after "eastern feeder". read "If Mr. Southam brought a load of feed barley into the elevator and I followed him in to purchase that load of feed barley, the price I would pay would be the Fort William price quoted by the Wheat Board less the freight plus 3 cents landing charges".

MINUTES OF PROCEEDINGS

THURSDAY, October 29, 1964.

(13)

The Standing Committee on Agriculture and Colonization met this day at 10:05 o'clock a.m. The Chairman, Mr. Russell C. Honey, presiding.

Members present: Messrs. Armstrong, Béchard, Beer, Cyr, Dionne, Doucett, Ethier, Forbes, Forest, Groos, Gundlock, Honey, Horner (*Acadia*), Howe (*Wellington-Huron*), Jorgenson, Laverdière, Madill, Matte, McBain, Muir (*Lisgar*), Mullally, Nasserden, Noble, Olson, Peters, Roxburgh, Vincent, Webb—(28).

Witnesses: From the National Farmers Union: Mr. A. P. Gleave, President; Mr. Stuart Thiesson, Secretary; Mr. Gerald Hutchison and Mr. John Alton.

In attendance: From the Department of Agriculture: Mr. C. R. Phillips, Program Co-Ordinator. *From the Department of Forestry:* Mr. Benoit Lavigne, Director of Eastern Feed Grains.

The Chairman introduced the witnesses and Mr. Gleave read his brief.

The Committee proceeded to the questioning of the witnesses.

It was *agreed*, that the brief of the National Farmers Union be appended to this day's evidence. (See Appendix 1).

The examination of the witnesses being concluded, the Chairman thanked them for their informative and concise brief.

On the request of Mr. Webb, and it was *agreed*,—that a table, to be produced by the witnesses, showing "The average net income per farm by Province" be appended to this day's evidence.

Note:—As this information will not be available until a later date, it will be appended to Issue No. 11 of the Committee's Proceedings.

At 12:25 o'clock p.m. the Committee adjourned.

D. E. Levesque,
Clerk of the Committee.

Note—The evidence, adduced in French and translated into English, printed in this issue, was recorded by an electronic apparatus, pursuant to a recommendation contained in the Seventh Report of the Special Committee on Procedure and Organization, presented and concurred in, on May 20, 1964.

EVIDENCE

THURSDAY, October 29, 1964.

The CHAIRMAN: Gentlemen, I think we have a quorum. I am very pleased that everyone is here so close to time this morning, and we will get started right away. I might, if you will permit me, have the pleasure of introducing the witnesses who are appearing before the committee this morning. The first witness, the gentleman on my right, is Mr. Gleave, the President of the National Farmers Union. Next to Mr. Gleave is Mr. Stuart Thiesson, Secretary of the National Farmers Union. Next to Mr. Thiesson is Mr. Gerald Hutchison who is the executive member of the Farmers union of Alberta. Just around the corner is Mr. John Alton from Victoria county in Ontario who is representing the Ontario Farmers Union.

These gentlemen have been kind enough to prepare a brief for the consideration of the committee this morning, and I think, with the concurrence of the committee, we will proceed to the consideration of the brief immediately.

I will ask Mr. Gleave whether he would be kind enough to read the brief, and then we can proceed to the questions.

Mr. A. P. GLEAVE (*President, National Farmers Union*): Thank you, Mr. Chairman, members of the committee.

Introduction

The National Farmers Union welcomes the opportunity of appearing before your committee to discuss the subject of variations in feed grain prices as between prairie grain producers and livestock feeders in eastern Canada and British Columbia.

To place this subject in proper perspective, we wish to review briefly the historical background of the feed freight assistance program.

Historical Background

The main source of imported feed grains used in the eastern provinces and British Columbia is the prairie provinces.

In 1941, the federal Department of Agriculture began to pay freight assistance:

- (1) To expand the market for western feed grains; and
- (2) To provide assistance for livestock production in the six provinces of "eastern Canada and in the province of British Columbia on the west coast by paying a subsidy equal to a significant proportion of the transportation charges of feed grains shipped from the approximate supply terminals to destinations in the seven provinces."
- (3) To equalize prices consumers pay for feeds all across Canada.*

* * * * *

The federal government continued this policy in the post-war period at the request of eastern and maritime farmers. Western farmers have, generally speaking, gone along with this policy in the belief that it helped to provide a market for western feed grains.

On August 22, 1963, agriculture minister Hays and the Minister of Trade and Commerce, Mr. Sharp, announced a new three-point program to

* Federal Agricultural Assistance Programs, Canada. Marjorie R. Cameron.

amend and supplement the policy of freight assistance on western feed grain—"to ensure an adequate and orderly supply of western feed grains to supplement local production for the growing livestock and poultry industries of eastern Canada."

The effect of these changes was to:

(1) Provide for the payment of accrued storage charges on western feed grain in licensed eastern elevators during the period October 15 to April 15;

(2) That freight assistance rates be related to the cost of water movement, plus an allowance for inland transportation by rail or truck to provide more uniformity in cost to feeders in different areas, both in British Columbia and eastern Canada;

(3) The institution of a provisional pricing system for oats and barley moved from the lakehead to eastern elevators similar to the provisional pricing policy for feed wheat.

Further revisions to the feed freight assistance regulations were announced in July of this year followed by several amendments announced by the Hon. Maurice Sauve, Minister of Forestry, on August 28 last.

The latest regulations, described as "an interim policy" by the minister, await the adoption of a permanent policy following the completion of the study by this committee.

Most recent changes to the regulations, briefly stated, were as follows:

(1) The zoning of areas in eastern Canada and rates of assistance established for each zone on a flat rate basis, by whatever combination of water, rail or truck movement the grain comes, with the following exceptions:

- (a) Previous rates for all-rail transportation of screenings and mill-feeds to the maritimes are retained in addition to the zone rates;
- (b) While the St. Lawrence seaway is frozen, existing rates for rail hauling of grain from Prescott and Quebec city are retained for the coming winter only, to avoid possible difficulties which might arise out of lack of sufficient storage at Halifax.

(2) The permission of possible truck competition with the previously exclusive rail carriers.

(3) Adjustments within provinces to equalize balances of transportation costs to various destinations.

(4) Revisions in assistance rates as follows:

- (a) Increased by 60¢/ton in British Columbia;
- (b) Reduced by 20¢/ton in Western Ontario;
- (c) Increased by 40¢/ton in Eastern Ontario;
- (d) Several revisions in Quebec, the net result of which may increase assistance in this area;
- (e) Revisions in the maritimes which will have the effect of increasing assistance.

Regional Pricing Policies

There are, for all practical purposes, three pricing areas in Canada for feed grain:

(1) East of the great lakes, bulk purchasers of feed grains at lakehead terminals use prices established on the trading floor of the Winnipeg grain exchange which reflect world conditions and demand. The farmer consumer would pay in addition to the basic lakehead price such items as brokerage fees, interest charges, milling fees and profit margins

which may be added as the feed grain moves through distribution channels to the farm. Outside of domestic supplies, corn from the United States can enter over a tariff of 8¢/bushel without the advantage of freight assistance. At present, a discount between Canadian and United States currency is a further import deterrent. However, this cannot be considered a permanent feature since it can change, as it has done before. While government can control the imports of United States corn, it is our understanding that government has not exercised this control in recent years.

(2) In the prairie provinces there are both sellers and buyers of feed grains among farmers. The producer of feed grains who does not feed livestock or has a saleable surplus may dispose of this product in two ways:

(a) He may deliver his grain to a country elevator and accept the Canadian wheat board initial price less freight and handling charges into lakehead terminals.

Delivered at Saskatoon, Saskatchewan, which has a 22¢/cwt. freight rate to Fort William and Port Arthur, the current initial farm price on feed oats, barley and No. 5 wheat would be as follows:

	Ft. Wm./Pt. Arthur Initial Price	Initial Price to Farmer
	(per bus.)	
No. 1 Feed Oats	55¢	44¢
No. 1 Feed Barley	87¢	71 $\frac{3}{4}$ ¢
No. 5 Wheat	\$1.21	\$1.03 $\frac{1}{4}$

In addition to the initial payment, the farmer may receive a final payment upon the closing of each crop pool.

For deliveries in the 1962-63 crop year, the final prices received by farmers for deliveries of the above grade grains were as follows:

	Initial Price to Farmer	Final Payment	Total Realized Price to Farmer
	(cents per bushel)		
No. 1 Feed Oats	44¢	12.967¢	56.967¢
No. 1 Feed Barley	71.875	18.192	90.067
No. 5 Wheat	103.25	48.301	151.561

(b) He may choose to sell his product directly to another farmer or a feed mill at a negotiated cash price. The price in either of these two transactions would be similar. The current purchasing price by feed mills in Saskatoon for No. 1 feed oats and barley and No. 5 wheat or better is as follows:

No. 1 Feed Oats (or better)	50¢ per bushel
No. 1 Feed Barley (or better)	80¢ per bushel
No. 5 Wheat (or better)	\$1.50 per bushel

A farmer buyer may purchase feed grains from other farmers or he may purchase the manufactured product of the feed mills. But by far the greatest volume of feed grains fed to livestock are home-grown by the farmer himself in a grain livestock production program. It is concern for the welfare of this type family farm operation that has prompted our organization to object most strenuously to the exemption of feed mills from the regulations of the Canadian wheat board in the purchase of feed grains.

We believe the effect of these exemptions automatically puts this class of family sized farm at a competitive disadvantage for feed costs with large scale feeder operations. These operations may often be in a position to acquire feed grains at prices below the costs of production of the farmer producing and feeding his own grain, particularly when such an operation is financed by non-farm capital such as a packing plant or a feed mill. The effect of this situation is to undermine the income earning potential of the farm family by rendering it less competitive in the production of a secondary farm product.

The argument is sometimes used that the quantity of feed grains purchased by feed mills is relatively small in terms of total production, consumption and marketings in western Canada. (See tables I and II, Appendix A).

Irrespective of this, exemptions of feed mills from Canadian wheat board regulations tend, we believe, to allow a serious breach in principle to board marketing. Using current feed mill prices, it cost those producers who sold directly to feed mills a minimum of \$1,081,057 in the 1962-63 crop over final wheat board prices in that year and an undetermined amount more than this on the basis of superior grades sold at feed mill prices. This was a direct transfer of capital from the grain industry to the livestock industry and sets the competitive operating margin by which the feeder of home-grown grains can feed livestock.

(3) In British Columbia, feed grains may move freely from certain designated points in the British Columbia bloc of the Peace river region into areas where livestock or dairy cattle are fed in the interior or at the coast. In this instance, market prices are not established by an agency such as the grain exchange or the Canadian wheat board, but are arrived at through buyer-seller bargaining, sometimes with a grain elevator company acting as an intermediary.

In addition, of course, feed grains may be purchased by dealers from Canadian wheat board stocks located at west coast terminals.

We cite these examples to illustrate variations in the feed grain market as between the three main consuming areas in Canada.

Considerations of a Permanent Feed Grain Policy

There are a multiplicity of relative factors that must be taken into account in determining a permanent feed grain policy for Canada.

It must be recognized that the prairie farmer enjoys a natural advantage in the ability to produce an abundance of feed grains and fodder that can readily be converted to meat. What he lacks is the large metropolitan market to which the eastern and west coast livestock feeder has ready access.

The principles of the feed freight assistance program should, we believe, be basically twofold:

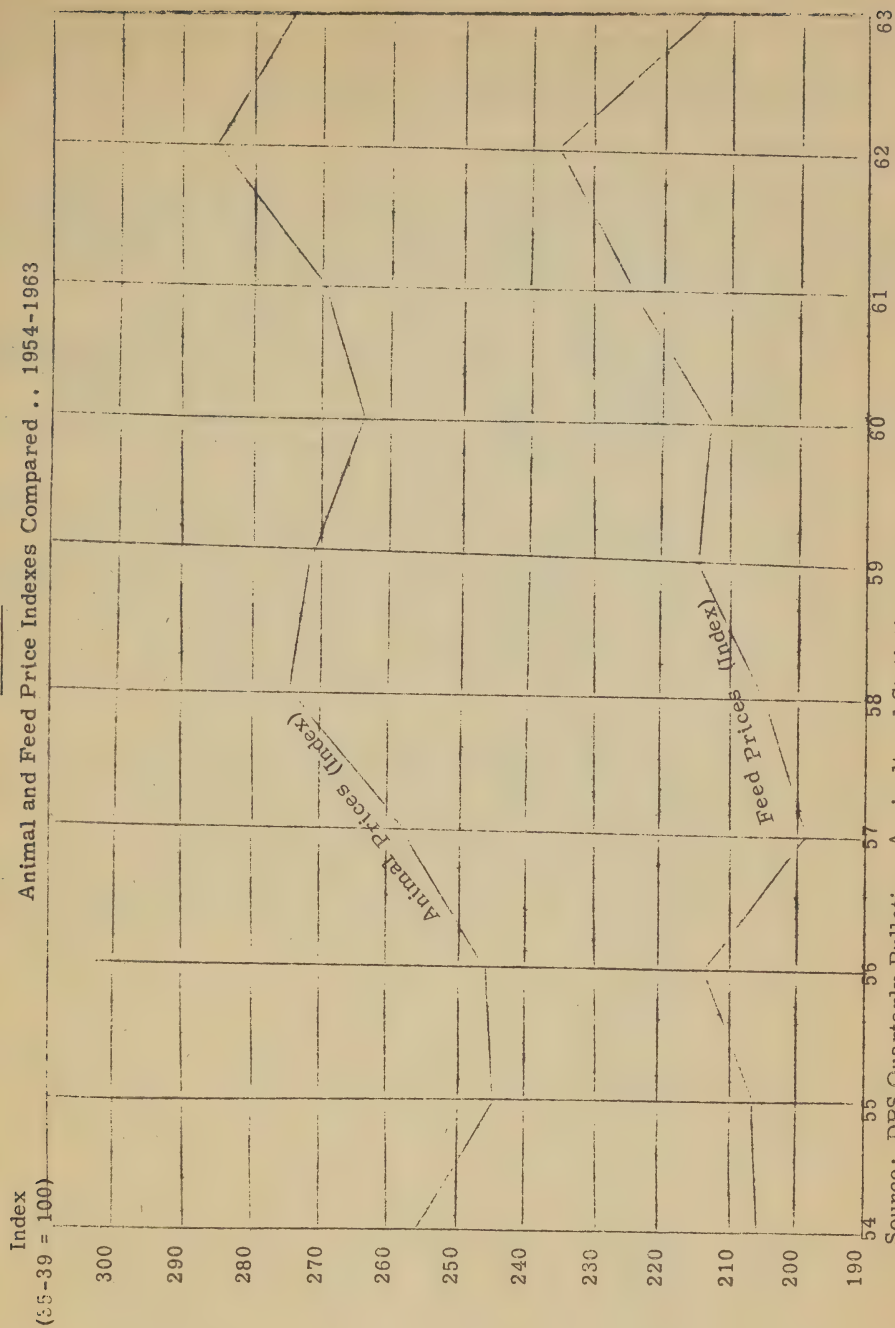
- (1) It must permit the eastern producer to economically expand his livestock production beyond the ability of his natural feed resources to do so and thereby increase his income earning potential.

- (2) It must recognize the welfare of the prairie producer of feed grains and livestock.

We submit that the controlling factor in the concentration of livestock production lies in the market price the producer of feed grains receives for his product. If the price he receives is too low, then either sufficient grain for the eastern market will not be produced or the western farmer will simply expand his own livestock feeding operation.

We believe that the relationship between feed and animal prices run parallel to one another and that low feed costs would not guarantee a wider profit margin for the livestock feeder. This trend is illustrated by the accompanying chart.

CHART I
Animal and Feed Price Indexes Compared .. 1954-1963



Source: DBS Quarterly Bulletin - Agricultural Statistics

The federal feed freight assistance and storage program has already gone a long way toward lowering the eastern producer's cost of acquiring western feed grains. We believe there has been ample evidence in the past of widespread price speculation which has not provided the eastern feeder with the full advantages of assistance programs already in effect.*

Recommendations

1. We strongly recommend the organization of an eastern feed grain purchasing agency which will have the power to place into forward positions each year prior to the close of navigation, adequate stocks of the desired types of feed grains required for winter feeding purposes.

We recommend also that such an agency be empowered to:

- (a) Negotiate for supplies and prices with the Canadian wheat board;
- (b) That it be placed in charge of the feed freight assistance and storage program;
- (c) That it undertake a study to determine the proper location for additional storage facilities where required;
- (d) That it have representation from farm organizations.

2. We further recommend that prairie feed mills be again placed under the price and quota regulations of the Canadian wheat board.

3. We think one factor that should not be lost sight of is that regardless of the cost of feed grains either in eastern or western Canada, if the price of the finished product (that is, beef, pork, poultry meat or dairy products) drops to a low level, then the raising of livestock or poultry will be an unprofitable operation to the farmer. It would be a mistake for farmers to conclude that they can solve their problems entirely by a feed grain policy that would assure ever cheaper supplies of feed.

We recommend that this committee should concern itself with the establishment of floor prices in combination with deficiency payments so that the farmer will be assured of adequate returns.

4. We recommend also that producer-controlled marketing boards either provincial or federal or in combination, are necessary in order to stabilize prices of farm products and to ensure that prices are remunerative to the producer.

* See brief of L'Union Catholique des Cultivateurs and of La Co-operative Federee de Quebec concerning feed grains... October 18, 1963.

APPENDIX A

Table I

THE CANADIAN WHEAT BOARD

STATEMENT OF PURCHASES FROM PRODUCERS BY NON-QUOTA FEED MILLS FOR WHEAT,
OATS AND BARLEY FOR THE PERIOD AUGUST 1, 1961 TO JULY 31, 1964

	Wheat	Oats	Barley	Total
August 1/61 to July 31/62				
Manitoba.....	665,114	1,002,774	446,408	2,114,296
Saskatchewan.....	567,291	292,399	609,815	1,469,505
Alta. & B.C.....	1,403,122	2,202,918	3,019,712	6,625,752
	<u>2,635,527</u>	<u>3,498,091</u>	<u>4,075,935</u>	<u>10,209,553</u>
August 1/62 to July 31/63				
Manitoba.....	716,130	1,086,124	361,393	2,163,647
Saskatchewan.....	375,119	251,561	491,202	1,117,882
Alberta.....	1,342,499	2,425,442	2,997,551	6,765,492
B.C.....	216,914	175,925	213,242	606,081
	<u>2,650,662</u>	<u>3,939,052</u>	<u>4,063,388</u>	<u>10,653,102</u>
August 1/63 to July 31/64				
Manitoba.....	754,732	1,329,711	390,060	2,474,503
Saskatchewan.....	357,593	285,584	474,827	1,118,004
Alberta.....	2,166,572	2,693,457	3,787,400	8,647,429
B.C.....	77,289	114,840	272,252	464,381
	<u>3,356,186</u>	<u>4,423,592</u>	<u>4,924,539</u>	<u>12,704,317</u>

Table II

THE CANADIAN WHEAT BOARD

STATEMENT OF PURCHASES BY FEED MILLS IN WESTERN CANADA FROM THE CANADIAN WHEAT BOARD
FOR THE PERIOD AUGUST 1st, 1961 TO JULY 31st, 1964

	Wheat	Oats	Barley
1961-62 Crop			
Manitoba.....	3,411.0	102,776.0	29,006.0
Saskatchewan.....	2,905.0	30,010.0	39,567.0
Alberta.....	143,213.0	311,803.0	545,469.0
British Columbia.....	132,010.0	106,179.0	154,410.0
	<u>281,539.0</u>	<u>550,768.0</u>	<u>768,452.0</u>
1962-63 Crop			
Manitoba.....	38,581.0	132,069.0	39,675.0
Saskatchewan.....	20,231.0	30,577.0	53,899.0
Alberta.....	126,447.0	121,011.0	339,483.0
British Columbia.....	27,662.0	82,716.0	12,918.0
	<u>212,921.0</u>	<u>366,373.0</u>	<u>445,975.0</u>
1963-64 Crop			
Manitoba.....	24,066.0	124,886.0	67,945.0
Saskatchewan.....	11,378.0	26,859.0	82,709.0
Alberta.....	216,963.0	441,562.0	252,692.0
British Columbia.....	103,065.0	137,221.0	24,514.0
	<u>355,472.0</u>	<u>730,528.0</u>	<u>427,860.0</u>
	<u>849,932.0</u>	<u>1,647,669.0</u>	<u>1,642,287.0</u>

Table III
 SHIPMENTS OF WESTERN GRAINS AND FEEDS INTO EASTERN CANADA AND BRITISH COLUMBIA FOR THE 1962-63
 CROP YEAR (AUGUST 1 TO JULY 31) AND AMOUNT PAID IN FREIGHT ASSISTANCE

	Wheat (tons)	Oats (tons)	Barley (tons)	Rye (tons)	Corn (tons)	Screenings (tons)	Mill-feeds (tons)	Total (tons)	Amt. paid in freight assistance \$
Ontario.....	105,006	162,060	190,734	486	—	27,516	130,074	615,876	3,145,383.86
Quebec.....	132,242	230,686	278,355	1,233	—	32,692	240,968	916,176	7,457,302.78
New Brunswick.....	9,991	14,106	13,132	40	—	5,929	28,334	71,532	971,599.98
Nova Scotia.....	23,431	24,582	20,576	—	—	7,822	32,328	108,739	1,540,802.49
Prince Edward Island.....	3,010	2,018	5,435	—	—	1,044	7,659	19,166	275,868.75
Newfoundland.....	3,277	5,583	3,652	20	—	2,143	6,931	21,607	289,302.44
British Columbia.....	53,835	43,308	57,686	—	1,112	3,433	33,455	192,829	1,590,749.68
TOTAL.....	330,792	482,343	569,570	1,779	1,112	80,579	479,749	1,945,925	15,571,009.98

June 10, 1964
 Plants Products Division,
 Department of Agriculture,
 Ottawa, Ontario.

The CHAIRMAN: Thank you very much, Mr. Gleave. I think that all committee members will want me to thank you now—and they may do so individually—for a very informative and concise brief which will be helpful to the committee.

Before we proceed to questions, if there are any on the brief, will the committee members agree that the brief and the appendices and tables be made part of the proceedings of this committee?

Agreed.

Mr. OLSON: Mr. Chairman, first of all I would like to thank Mr. Gleave for the very positive suggestions that he has made in the brief, but I see some conflict there. For example, you recommend that all the grain produced in western Canada be returned to the operation of the Canadian wheat board. In other words, you recommend that it be made an offence to sell grain directly to these feed mills. At the same time I note that you are also concerned with such things as perhaps providing even more assistance in moving this grain into eastern Canada from British Columbia. I would like to ask you this question. Even at the present price that is paid for various feed grains, and taking into account the assistance that is in effect now, if the livestock producers, that is the feeders in western Canada, had to buy grain from the Canadian wheat board at their selling price at their point of delivery, they would be at a serious disadvantage even now. Is that not a fair statement?

Mr. GLEAVE: I do not think so. The prices which we showed in one of the tables here show that the prices paid by the feed mills currently are not out of line with the Canadian wheat board prices. This is because we have, shall we say, a relatively tight market. There is a good demand in exports, so farmers naturally close this gap. Even now this is fairly close. I do not see that it would do this. After all, most of our livestock in western Canada are farm fed, that is fed where the grain is produced.

Mr. OLSON: By the same farmer who produces the grain?

Mr. GLEAVE: Yes. In a given area you have one farmer who is short of feed, and he buys it locally from another farmer at a negotiated price. The volumes going through the feed mills are not high if you relate them to the total consumption.

Mr. STUART THIESSEN (*Secretary, National Farmers Union*): May I add to this? I realize that it appears to be a contradiction but I think it should be remembered that the trend towards feeding operations is concentrated in large volume feeding. Generally the person who is entering into this type of feeding operation may be financed either by the packing companies or by the feed mills. If they are able to obtain very low cost feed grains in this way, through direct purchases outside of the wheat board, this tends to destroy the competitive advantage of a person who is attempting to raise grain and feed for his own livestock, with the result that the specialist can force the grain producer and the combination grain and livestock producer out of business; because when the feed grain prices go down the hauling companies or people who have capital invested are able to take a lower price on the livestock. But also it can have a chain reaction in other areas of Canada.

I would like to give for your reference an article that appeared recently, written by Mr. George Bickle who is the editor of the Rocky mountain union of farmers in Denver, Colorado. He has made an extensive study of the trends in livestock feeding in the United States. The trends there indicate that there are more and more large private corporations and companies which are getting into the feeding business in the United States and are establishing themselves in South America and Australia. They are bringing into Canada, this cheaper

raised beef which has a depressing effect. This is tied in with the long range objectives that can come out of this type of policy.

Mr. VINCENT: Mr. Chairman, on a point of order, before going further would it not be possible for the benefit of the readers of the record to ask these gentlemen to put into the record the history of the National Farmers Union, the number of members in this association and from which provinces these members come? It would be good for the readers of the record to know exactly the organization in front of us.

The CHAIRMAN: Are you suggesting that it be submitted later?

Mr. VINCENT: I think it should be dealt with right at the beginning.

The CHAIRMAN: I do not want to interrupt unless Mr. Olson would permit Mr. Gleave to indicate the composition of the National Farmers Union.

Mr. OLSON: Have you that information with you?

Mr. GLEAVE: Yes. Our membership is located in British Columbia, mainly in the Peace river area which is in the northeast corner. In Alberta we have the Farmers Union of Alberta, in Saskatchewan we have the Saskatchewan Farmers Union, in Manitoba the Manitoba Farmers Union, in Ontario the Ontario Farmers Union. The approximate membership would be 65,000 farm families. Our membership is a farm family unit.

Mr. OLSON: I will now get back to my question. I agree that if the beef producers or the meat producers in Canada are going to have to compete with lower cost operations, without any tariff walls, from any country in the world, then we would have a problem to which we have not found a solution as yet; but I think that Mr. Gleave would have to agree that the price received for meat and meat products in the prairies, whether it is produced by a family farm type of operation or a commercial operation, is comparable. In other words, they sell on the same market. That is not what I am concerned about. What I am concerned about is the fact that there were a lot of feeding operations established on the prairies at a time when there was a tremendous surplus of grain that was not saleable to the Canadian wheat board because of its volume. It was the excess of this grain which compelled the farmers to sell at distress prices. That was in fact the foundation for setting up this feeding industry in western Canada. However, after the drought of 1961 and the increased movement of grain into overseas markets following 1961, when these feeders were in fact required to go to the Canadian wheat board and pay the price there, less the freight to the lakehead, they found themselves at a disadvantage in relation to the feeding that was going on in British Columbia and eastern Canada because of the level of freight assistance. It seems to me we have to recognize that if we are going to require that the feeders out there go to the Canadian wheat board, and there is going to be as much assistance as there is now, or possibly even more, it is going to undermine and perhaps wreck the profitability of feeding livestock on the prairies where the grain is produced.

You also say in your brief that the feed grain assistance policy was established, in the first place, to provide a market for the western and the prairie produced grains in these two areas. We recognize that that is a valid argument because if they did not have this assistance a great deal more would be moving in from the United States. However, it seems to me there is a balance between how far you can go in moving this grain out with government subsidies without doing a very serious injustice to the livestock producers in the prairies.

Mr. GLEAVE: I agree with the statement made that if too much advantage is given to the eastern feeder, certainly we in western Canada will be at a disadvantage. We make that point in the brief here, that the interest of the

western livestock producer must be kept in mind in these policies. But our position is that our farm unions in our National Farmers Union council, which is the governing body, have never opposed the payment of subsidies as such. Therefore, as our policies stand now, we go along with the general principle of subsidies to feed grains moving into eastern Canada, the main argument being to have a market for feed grains. However, the point Mr. Olson made is valid, that this can be overdone and that if you carried this present policy to extreme it would result in an absolute shifting of livestock and poultry feeding to eastern Canada.

Mr. OLSON: I have one other question, Mr. Chairman. I do not want to take up too much time. Some suggestions have been made that the highest rate paid by any feeder in eastern Canada should be \$2 a ton over the laid down price at the lakehead; that, for example, from a base point in the prairies the highest rate he ought to pay is about \$2 a ton. In British Columbia the feeders are now paying \$4.40 on the freight. If this were reduced to \$2, would this not in effect be serious enough to put the livestock feeders in the prairies out of business? I am thinking of the case where there would be no corresponding assistance to move their finished product to the markets.

Mr. GLEAVE: I would not venture to say what the breaking point would be. I do not know whether you can pick an arbitrary breaking point because there are other factors that may enter into this. If the instance which has been described occurred, of a really heavy production in the west and a lowering of prices, then probably the western feeder would continue to feed anyway. I do not know how you can pick an arbitrary breaking point, but I am saying that in a general sense this policy which we have of feed freight assistance must be watched by those who administer it so that it does not throw out of balance our livestock industry in Canada. However, I could not pick the point at which this would happen.

Mr. JORGENSEN: Mr. Chairman, in one of your recommendations you state that you would like to see the establishment of an eastern feed grain purchasing agency, and so on. In section (a) you recommend that such an agency be empowered to negotiate for supplies and prices with the Canadian wheat board. What you are advocating is the setting up of a second agency, one to compete with the other, that is two government agencies. Is my understanding correct?

Mr. GLEAVE: I do not know whether I would describe it as a second agency, second agency to what? We are recommending that there be an agency in eastern Canada which would purchase on behalf of the user in eastern Canada.

Mr. JORGENSEN: What you are suggesting then is an eastern wheat board similar to the western Canadian wheat board. You would have one negotiating on behalf of one group of people, and the other negotiating on behalf of another group of people.

Mr. GLEAVE: A buyer and a seller.

Mr. JORGENSEN: You have also stated in previous briefs on behalf of the National Farmers Union that I have read that you would not like to do away with the facilities of the Winnipeg grain exchange in dealing as a market place for the feed grains. You want the Canadian wheat board to handle feed grains in the same way they handle wheat. Is that correct?

Mr. GLEAVE: Yes.

Mr. JORGENSEN: I was wondering then on what basis you would determine the price when you have simply eliminated the market place as a means of determining what a fair price would be? You are going to have one agency competing with the other, the eastern wheat board will be negotiating with the Canadian wheat board, and the price that you are going to arrive at, if you

destroy all your market facilities, is a political price, is it not? That political price would be determined by where the greater strength lay. I wonder whether you are sincerely acting on behalf of the western farmer when you advocate this.

Mr. GLEAVE: Let me assure you that I always try to act sincerely. In regard to your question, I do not think it would be a price arrived at politically. I think it would be a price arrived at through the economic circumstances. I think economics would dictate the price. These types of negotiations would not be absolutely new at present. For example, if an eastern purchaser purchases No. 6 feed wheat, this price has to be established by the Canadian wheat board because there are no quotes on the Winnipeg grain exchange for wheat of any kind. We negotiate the sale of large quantities of grain to the Chinese, so we should be able to negotiate the sale of grain to eastern Canadians.

Mr. JORGENSEN: In this case wheat prices are largely determined by prices on the international market over which we have little or no control. What has determined the price of the feed grains in Canada has been the free market. Eliminate that free market, and how do you arrive at a price which is satisfactory to both the producer and the consumer? Somebody is going to be unhappy.

Mr. GLEAVE: Yes, but are you sure the free market absolutely determines the price of feed grains? Are you sure that at some point when it drops to a certain point the Canadian wheat board does not say, "We will make coarse grains available to the market at such and such a price". I do not think they would allow the bottom to fall out of the feed grain price.

Mr. JORGENSEN: But the free market does provide a guide.

Mr. GLEAVE: I do not think they would allow things to fall apart, otherwise they could not meet the initial price. I think prices could be negotiated between two such agencies, otherwise if we did not think so, we would not have made this proposition. The reason we made this proposition is that you can find on the record the statement by the Union Catholique de Cultivateurs in which they complain of the variations in price and supply. This situation has to be met. You are always going to have bargaining between the two interests on one basis or another. We think you could probably do it with less friction and less dissatisfaction in this way, the way we propose, rather than in the way that it is now being done.

Mr. JORGENSEN: In another part of your brief you make some comment about the removal of restrictions, or the change of regulations so far as they apply to feed mills in western Canada, in the prairies. Is it not a fact that farmer to farmer sales in western Canada have always been permitted under the regulations of the Canadian wheat board?

Mr. GLEAVE: Yes.

Mr. JORGENSEN: You have never challenged that?

Mr. GLEAVE: It would be pointless to challenge it. Farmers are going to sell amongst themselves.

Mr. JORGENSEN: You do not seriously question the wisdom of this policy?

Mr. GLEAVE: No.

Mr. JORGENSEN: I wonder, Mr. Gleave, if you could tell me who were the people that were taking advantage of this? Were they the large feeders who had their own feed mill, who could buy in quantity and who had the trucks and facilities to purchase, or were they the smaller type of farmer? Were they the people who were buying the bulk of this grain in the farmer to farmer sales or were they the larger feeders?

Mr. GLEAVE: I do not know if we have any statistics that would tell us who were the people doing the selling or the purchasing.

Mr. JORGENSEN: Perhaps I could tell you. They were the larger feeders because they had the facilities to do so. Mr. Thiesson said there was quite a transformation in the method of feeding in Canada. He is quite right when he said that there has been quite a change. Farmers used to grind up their own wheat and mix their own supplements. They now prefer to have this work done by the feed mills.

Mr. GLEAVE: That is in the case of a few larger feed mills. If you look at the volume, the feed mill has not got, comparatively speaking, a large volume of the total amount of grain that is fed to cattle in western Canada.

Mr. JORGENSEN: I disagree with that, but there are certain areas of western Canada where the production of grain became an impractical operation because of the type of soil, but these areas are also the best for livestock and poultry production. This applies to the smaller farmers. It is therefore necessary for these people, is it not, to get their feed supplies somewhere. They do not have the facilities to mix their own grain and add their own supplements and they prefer to have the feed mills do this for them because this is the most economical way to have it done and it is best for their purpose.

Mr. ROXBURGH: Would they not prefer to have an opportunity to buy from the feed mill?

Mr. GLEAVE: Of course there are people who want to buy from the feed mills, otherwise the feed mills would not exist.

Mr. NASSERDEN: I think that in the initial stages, when there was quite a surplus of feed grain in western Canada, the great part of that went to the dairy farmers and not to the feeders. This applies to the dairy farmers around the bigger cities who made transactions from farmer to farmer. In the last few years the situation has changed somewhat with the emphasis, all across the country, on these larger feed operations. I cannot see that at the time you mention there was much going on in these larger feed operations. It applied mostly to the smaller farmers.

Mr. FORBES: If I can just assist Mr. Jorgenson's argument let me say that I live in a heavily concentrated mixed farming area. The trend today is for the mobile mixing units to go from farm to farm. It carries the concentrates. They take the farmer's grain, mix it up and put it into the hopper. The feed mill is entering into it in a small way. There is no way in which the feed mill could be an intermediary between the farmer and the feeder in this case because he is one and the same man.

Mr. JORGENSEN: This is getting away from the point I was trying to make. My argument is simply that the change in regulations has, contrary to what you have stated in the brief, assisted the smaller farmer rather than been detrimental to him because it placed him in the same competitive position as the larger feeder who had always been buying feed directly from the producer. They are now competitive.

Mr. THIESSON: I think that if you investigate what is developing you will find that some of the feed mills are buying grain chiefly from the grain producers, and you know, as well as I do, that this has been done at as low a price as a cent a pound.

Mr. JORGENSEN: Where and when? Not since this regulation has been changed.

Mr. THIESSON: It came in 1961.

Mr. HORNER (*Acadia*): Grain has been selling that cheap? I do not think it has ever been a cent a pound in 1961 anywhere in Canada.

Mr. THIESSON: Of course it has. This is well known.

Mr. NASSERDEN: It is a very surprising statement from the farmers' union, particularly in Saskatchewan. I do not think grain has been selling for a cent a pound in Saskatchewan.

The CHAIRMAN: I wonder if Mr. Jorgenson could be allowed to follow his line of questioning?

Mr. THIESSON: The point I was trying to make is that in the early stages it was a fact that grain was being sold at a cent a pound in the heavy period of surplus.

Mr. JORGENSEN: Before the regulations?

Mr. THIESSON: The change in regulations did not establish the price. Some of the feed mills are seriously considering going into direct feeding production. Among them I understand is the federated feed mill in Saskatoon which is one of the larger feed mills in the provinces. It is seriously considering going into the feeding business. They buy their supplies at prices below those set by the wheat board. I was speaking to the manager of that plant not long ago. They pay the farmer the rates we have quoted in our presentation on the basis of the delivery to the feed mill. He tells me that they haul this grain from all over the province into their feed mill in Saskatoon and deduct the charge of trucking from the farm to the feed mill. In order for them to remain in business—they are thinking in terms of volume and turnover—and in order to expand their volume of grain going to the feed mill, they are seriously considering going into the feeding business themselves. Quite obviously when they go into the feeding business themselves they will be in direct competition with the small producer who is growing his own grain and feeding his own livestock. I think the economics of this are obvious in terms of the effect on the small grower.

Mr. JORGENSEN: My observations are the complete reverse of what Mr. Thiesson has stated. Prior to the time when regulations were changed, the feed mills were in the business of feed lot operations. They had to be; this was the only way they could get grain. They had livestock and they were then classified as producers of livestock and therefore eligible to buy grains. In my area we have the largest concentration of feed mills of any area in Canada. They have all gone out of the feed lot business and gone strictly into the business of producing feed grains, which they were originally intended to do. They are happy to do that. I cannot follow your argument at all when you say that feeders are going into business. It is quite the reversal.

There is one other point. In the Peace river area the regulations of the Canadian wheat board were never applied in so far as the farmers of the feed grains are concerned. With the exception of wheat, these farmers were outside of their jurisdiction.

Mr. GLEAVE: They were within the jurisdiction of the board but the board passed specific regulations which exempted them.

Mr. JORGENSEN: Which have to have the concurrence of the provincial government. As the British Columbia government did not concur, the regulations were never applied to these Peace river farmers.

Mr. GLEAVE: Yes, because a specific directive from the wheat board came through exempting this area.

Mr. JORGENSEN: It did not get the concurrence of the British Columbia government and therefore it could not apply. You therefore had a situation where one part of western Canada was exempted as far as this regulation was concerned and other parts were not. Would you not think this man was somewhat of an anomaly which should have been corrected?

Mr. GLEAVE: I said so on one occasion.

Mr. JORGENSEN: Do you not think that now it has been corrected there is equality all the way across?

Mr. GLEAVE: Yes.

Mr. HORNER (*Acadia*): If we could now turn to page 11, with regard to the purchasing agency which you recommend be set up, is this to be a government agency?

Mr. GLEAVE: Yes, in order to have the producer representation.

I explained that it would have to be—well, if not government, probably quasi-government. You would hardly give this much power in an area without the government having some control.

Mr. HORNER (*Acadia*): Do you also envisage that this buying agency would be given compulsory power, so that every person would have to buy from it? Do you envisage it going that far across eastern Canada?

Mr. GLEAVE: You could do it either way. You could establish such a board and say that this board shall have the power to purchase grain and make it available to people. But a lot of other purchasers could buy supplies and bring them in, if they wanted to do so.

Mr. HORNER (*Acadia*): In order to make it successful, you say there should be a study made to determine the proper location of such storage facilities as would be required, and that before you could actually do this, the board would have to have compulsory powers so that every feeder in eastern Canada would have to buy grain from it in order to make it work.

Mr. GLEAVE: With all due deference, I do not really see why. I think that a compulsory or a non-compulsory board could make a study. Suppose it was a non-compulsory matter, they might say that this particular area is not being served, therefore we will put facilities here in order to serve it.

Mr. HORNER (*Acadia*): I am taking paragraph C in conjunction with the over-all recommendation. Let us suppose that an agency is set up to buy eastern grain for eastern feeders?

Mr. GLEAVE: Yes.

Mr. HORNER (*Acadia*): You propose that this agency shall bring in the required amount of grain, store it, and make it available at a price?

Mr. GLEAVE: That is right.

Mr. HORNER (*Acadia*): But suppose it was not compulsory, and suppose this agency brought in a large amount of feed grain, but the prices dropped, let us say, three or six months later. The small operator, of which I understand there are many in eastern Canada, would say that he could buy grain direct through the grain exchange or on the open market and have it shipped down here and get it here at a lower price. Then your agency would be stuck with its hands full of grain.

Mr. GLEAVE: The situation which you describe could occur even if you had a voluntary agency. But I suggest that the agency would be in a fairly strong position if it had the support of farm organizations in eastern Canada such as the Union Catholique de Cultivateurs, the Co-operative Federation, the U.C.O., and the Maritime Co-operatives. If it had the support of these people, I can see no reason on top of all this why it should not have the support of private trade. After all, private trade has nothing to lose here if they want to run a legitimate operation. Such an agency should make grain available to anyone; possibly it should make grain available to the ordinary farmer. If facilities were there, a truckload or truckloads of grain could be taken out, and then the ordinary farmer ought to be able to go and buy his supplies. But in the heavier terminals where you do not have these facilities, I suppose it would be done by the co-operatives or private trade.

You can do either one of two things; it could be voluntary or compulsory. I suggest that if you had a voluntary facility and if the trade decided to make it difficult, then I would expect what would happen would be that in the short-term it would become compulsory. But if it were voluntary and the trade co-operated all the way along, then I think possibly the voluntary arrangement would do. You do not always have to beat people over the head in order to get the right answer.

Mr. OLSON: Do you mean that it would involve federal government financing?

Mr. GLEAVE: I suspect it would, as Mr. Horner has pointed out, it would at least need guarantees in order to finance the movement of this quantity of grain. But this would not indicate loss financing, shall we say, for the sake of a better word. I think your financing would be done just as the Canadian wheat board does it; that is, self-liquidating.

Mr. HORNER (*Acadia*): I am just projecting your thinking, and in doing this I think we both say that if a voluntary board ran into difficulty, it would have to become compulsory.

Mr. GLEAVE: I think it would, yes.

Mr. HORNER (*Acadia*): To get to the basic principle, if you turn to page 1, you will see that this was set up to move western grain and to establish a livestock feeding industry in other parts of Canada. This was set up away back in 1941.

Mr. GLEAVE: Yes.

Mr. HORNER (*Acadia*): In 1941 western Canada had a surplus of feed grain. Does that same condition exist today with grain?

Mr. GLEAVE: Looking at it in an absolute sense, I would say probably not. That is, you may have a fairly good supply in western Canada, and you will have these selling swings; sometimes they become short swings. Actually, the 1941 move was a war measure.

Mr. HORNER (*Acadia*): That is right. Conditions are absolutely different today from what they were when this whole policy was implemented.

Mr. GLEAVE: Not absolutely, but relatively so.

Mr. HORNER (*Acadia*): The other reason for which this was set up was to assist the establishment of a livestock feeding industry in other parts of Canada; and this would be of help in eastern Canada. Would you not agree?

Mr. GLEAVE: Yes.

Mr. HORNER (*Acadia*): Would you also agree that in the finished product, whatever it be—eggs, hogs, beef, or otherwise—there is a price differential between what the farmer in western Canada receives and what the farmer in eastern Canada receives?

Mr. GLEAVE: Well, there is always the freight, and sometimes more.

Mr. HORNER (*Acadia*): Quite often in the case of smaller products such as eggs, your eastern farmer is compensated to quite an extent for having to live so far away from the vast amount of feed grain. Would you agree?

Mr. GLEAVE: We say here that he is compensated for the fact that he lives close to large metropolitan centres.

Mr. HORNER (*Acadia*): Yes, you say that; and conversely it is true that he is compensated to some extent for living so far away from the large centres of grain. The two things work in conjunction with one another.

We agree that conditions were relatively different when this was first established; and we agree that there is a benefit to the eastern feeder for living so close to the metropolitan market or the centres of foreign markets; and we

agree that the livestock feeding industry is also established in other parts of Canada. We agree, too that to some extent this compensates the western man in entering Ontario and Quebec, and that there is a tendency to sell home grown grain in Ontario and Quebec.

Mr. GLEAVE: Well, I do not know if I am well enough acquainted to say this. Whether it puts a ceiling on the grain grown in Ontario or other areas it is hard to say. I suspect the same things operate there as in other parts of western Canada, and that this depends on the supplies available, and on the attitude of the seller and of the farmer who purchases it. He might say: "I will not let it go for that." I do not know, I cannot say.

Mr. HORNER (*Acadia*): The reason I asked the question is that you are directly or indirectly connected with the wheat growing centres of western Canada and those actively interested in this business in Ontario, and we have a difference in that while you have the wheat board operating in western Canada, the wheat growers have combined together, and they came out with a recommendation for the abolition of the feed grain assistance. You have heard of it?

Mr. GLEAVE: I think you are right.

Mr. HORNER (*Acadia*): They did this because they felt that this freight assistance had a harmful effect on their prices here in eastern Canada. Am I right?

Mr. GLEAVE: That was my assumption.

Mr. HORNER (*Acadia*): It is my assumption too. So we must agree that it has a tendency to keep a ceiling on eastern feeding and home grown grain.

Mr. GLEAVE: This was your assumption. Speaking for myself, I do not know.

Mr. THIESSON: But there is a great point that should be brought out. The price to the producer of eastern wheat, oats and barley comes under the support of the agricultural subsidization board, and it also has a support in that it keeps it at a high enough level so that the eastern grower can make a profit.

Mr. HORNER (*Acadia*): I am aware of that. But I am dealing with the whole principle. Mr. Gleave and I are in complete agreement on so many things that I want to continue for a minute more. Would he say that this benefit received from the freight assistance policy in past years has been far more beneficial to the large feeder in eastern Canada than to the smaller feeder? Would he believe that?

Mr. GLEAVE: Well, this I do not know. I do not know how to assess it. There has been no research into it, and no real investigation. It might be of more advantage to a very large operator who was integrated, let us say, with a feed company, and where the whole thing was closely tied in. It might be of more advantage in that instance. But in the circumstances of a relatively large number of producers, if the feeder buys from his neighbours or produces on his own farm, it would be a matter of which one could bargain the tightest with the feed mill. I know of some Ontario Farm Union people who say that they simply truck their whole grain, drawing it from some of the bay ports along Georgian bay, and they will bring the whole grain right in by truck; or they may have it rolled and processed somewhere, and then brought in. From talking to them I think these people were fairly tight bargainers. They seem to know what they are doing.

Mr. HORNER (*Acadia*): I would not want to dispute that at all. But for the past number of years this freight assistance has averaged somewhere in the neighbourhood of \$20 million. And it has been up as high as \$27 million in one particular year.

I have not talked with everybody but I wondered if your thoughts have gone this far. Most of this amount of money has gone to the person who has set up a huge poultry plant, shall we say, or to the farmer who has set up huge beef feeding lots. I am thinking of Connie Smythe who might take advantage of this in feeding 9,000 steers in some feed lots.

Mr. BEER: This is not true.

Mr. HORNER (*Acadia*): I do not know. Perhaps I should not have used the name of any particular person. But I well believe that there are farmers in Ontario who feed large numbers of steers. You may correct me if I am wrong. I believe that most of the \$20 million freight assistance goes to help the big farmers who are in the business of producing huge amounts of eggs, turkeys, fat cattle, and that sort of thing. Would I be wrong or right in assuming that?

Mr. GLEAVE: I do not know. I know of no real investigation that has gone into this. I suspect there may be some truth in what you say. One reason why we proposed a purchasing board was to ensure that any and all people are able to take advantage of the freight benefits. Our purpose is to make this feed available to all at this price.

Mr. HORNER (*Acadia*): If you place a ceiling on the amount of assistance given to each person, and if you say: "We will only give you so much assistance" so that everybody would be getting equal treatment if he wanted to take advantage of it, that would be all right. But I have talked to a number of small farmers in Ontario, around Ottawa here, and I have asked them, "Do you buy grain from western Canada with this freight assistance?" Well, they say that they are feeding pigs, and they buy some stock and a little bit of grain, but they do not think it is worth while. They say, "we feed our home grown grain." That is the answer which I got nine times out of ten. They do not wish to take the trouble to get western grain. It may be that Ottawa is the wrong district.

Mr. BEER: How many farmers would be involved in your survey? You indicate that nine out of ten have indicated that. What is the total number of farmers involved in your survey?

Mr. HORNER (*Acadia*): I have done this every summer for six years. I do not believe it would be a vast number, particularly when one considers the number of farmers in Ontario, but I thought this was worth putting forward to you, Mr. Gleave, in this question, because it has been overwhelmingly convincing to me that the small farmer fails to take advantage of that freight rate legislation.

Mr. GLEAVE: When we were preparing this brief we discussed the very point which was raised. But suppose you do put in a limit. The question then becomes one of administration. Suppose you have a large operation and we decide in our wisdom that we are going to limit the amount which any large operation can have, conceivably the feeder and his own neighbours would all get together and say: "Very well, we will all order enough to keep this thing going." The Ontario Farmers Union, for example, has made the very point that you made, and with justification.

Mr. HORNER (*Acadia*): I am glad to know about it.

Mr. GLEAVE: It is so. The question becomes one of administration only. There is no doubt about it.

Mr. HORNER (*Acadia*): We have set up an agency down here, and we have made it compulsory. Could you project it one step further and put a limit on it?

Mr. GLEAVE: If you could work out the mechanics, yes. There are probably justifications for this, but as I say, I do not know how you could work out the mechanics of the thing.

Mr. HORNER (*Acadia*): I have one more question. I read an article to this committee some time ago having regard to a particular professor from McGill. I do not have the article with me. In it he said that this freight assistance was costing the federal government in the neighbourhood of \$20 million, but it was working to the detriment of the eastern farmer to the extent of something like \$50 million. When I speak of McGill university, I am not speaking of southwestern Ontario but the Montreal area; and I suppose this man received his training there. He went on to point out that the land in eastern Canada must be rotated; that, while it grows well, it must be fertilized with lime and sown; and that it grows well if rotated properly; that this freight assistance has kept such a ceiling on the feed grown in eastern Canada that it has hardly paid the farmer to grow feed grain; and that therefore he has allowed his land to go to grass for too long, and maybe to continue in grass.

We know that if land is taken out of productivity and left to grass for too long, particularly down here, it has an adverse effect and brings about low production. The professor pointed out that this encouraged poor farming practice; that it encouraged land to become very low in productivity; that it encouraged land to be completely deteriorated; and that it encouraged poor land use and poor use of the natural resources already here. He said that he estimated that this policy encouraged or probably cost the eastern farmer \$50 million a year, rather than saving him \$20 million.

Would you say that there was any food for thought in that statement?

Mr. GLEAVE: In the proceedings of this committee for Tuesday, December 10, 1963, Mr. Sorel the first vice president of the Canadian Federation of Agriculture and president of L'Union Catholique des Cultivateurs—

The CHAIRMAN: You are reading from the proceedings of this committee?

Mr. GLEAVE: That is right. He said:

The freight assistance policy has an effect on the cost of production for the producers in the eastern part of the country. There is no doubt regarding this. With regard to this article, I think it is up to whoever takes a chance on writing such an article to give the details to prove his case.

So apparently Mr. Sorel did not think he had made his case.

Mr. HORNER (*Acadia*): I see. The Manitoba Farmers' Union suggested I think, in their convention, that this whole matter of feed freight assistance policy should be dropped; that the same conditions no longer existed; that it was harmful to the development of the feed industry in eastern Canada and of very little help to western farmers. Have you considered this, or has it been presented to you by the Manitoba Farmers' Union?

Mr. GLEAVE: Our policy is established by the council of the National Farmers' Union. At this council there are three members from the Manitoba Farmers' Union, three from Ontario, three from Saskatchewan, three from Alberta, and two from the Farm Union of British Columbia. In the preparation of a brief like this we take our instructions from the council. The opinions of the different provinces are produced before this council; this is where our opinions come from.

Mr. HORNER (*Acadia*): You are aware that the Manitoba Farmers' Union expressed this thought?

Mr. GLEAVE: I do not think they expressed it this strongly.

Mr. HORNER (*Acadia*): I think this is to be found in the evidence of the committee, but it does not matter.

Mr. GLEAVE: I guess you are aware of where our policy comes from.

Mr. HORNER (*Acadia*): One further step, and I am through.

In view of the changing position of agriculture, would you not think that the whole freight assistance policy needs closer examination? Could a better policy not be devised to help those who need help and the harmful effects of this present policy be done away with?

Mr. GLEAVE: We think a better policy or procedure can be developed. We say so in this brief when we state that a purchasing agency should be established. I think you can find those who disagree with any agricultural policy. You can find, I am sure—and you know this, Mr. Horner—people in Alberta who disagree with this. I know that I can find people in Saskatchewan whose interests do not coincide. You cannot devise an agricultural policy on almost any question on which everybody agrees. You have to reach a compromise which is more or less acceptable to the people of the country as a whole.

Mr. ROXBURGH: In regard to Mr. Horner's information about the professor allowing his land to go to grass, may I say that there are other crops which can be grown besides grass. If he were a good agriculturist he would be doing this rather than just letting his land go to waste.

Mr. HORNER (*Acadia*): He was talking about the cost of the grain.

Mr. ROXBURGH: I know that.

Mr. BEER: I have a couple of brief questions I would like to submit for the Farmers' Union, and I would congratulate them on their excellent brief. The Feed Grain Assistance Act is of exclusive benefit to the farmers of eastern Canada and British Columbia. How much cheaper would grain be selling on the prairies if it were not for the expensive orders from eastern farmers? This feed grain policy may be of considerable benefit to the western farmers.

Mr. GLEAVE: This is the only argument you can use in western Canada for the policy, that it does facilitate this market in eastern Canada by keeping it for us. It is about an 80 million bushel market, which is not insignificant in the total amount of grain.

Mr. BEER: My second question has already been dealt with on page 11 where you recommend that an eastern feed grain agency be established either on a compulsory or on a voluntary basis. I presume that if it is on a voluntary basis, it would be as an advisory body to the government to administer the policy. Would that be correct?

Mr. GLEAVE: I do not think so. Our proposal is that it be able to buy and sell and move grain into position, and that it be actually an operating agency handling grain.

Mr. BEER: These words involve a considerable change from our present position, and most of these changes are usually based on them. What specific examples are there that the present policy is not working well. In other words, if amendments were made and we were of the opinion that adequate supplies of grain had not been moved from the terminal elevators to eastern areas to take care of the needs of eastern farmers, and there was not a reasonably adequate amount of storage provided, then what other services or functions would such an agency provide?

Mr. GLEAVE: Well, it would assure us that we would even out the prices. It would tend to reduce the speculation which may cause variations in prices. I took the trouble a year ago to go to Montreal to talk to the people who are purchasing, and to talk to the U.C.C. My impression was that the thing which bothered them most was variations in price and variations in supply. Quoting

from the brief dated December 18, 1963, of the Union Catholique des Cultivateurs and of the Cooperative Federee of Quebec:

56. If the new program is put into effect at a time when the facilities for delivery are utilized to a maximum for export, the east will have to obtain its supplies by rail and forcibly the level of prices will rise.

57. The present situation, as we have pointed out, is disturbing. From September 9 to 23, the price of oats has increased \$4 a ton and that of barley, \$5.60 a ton. This increase cancels out the efforts of the government to subsidize the storage of oats and barley. (The subsidy on the storage of oats is estimated at \$1 a ton.)

Subsequent changes may or may not meet this situation. I think this is the point which you are making, if I am correct. It is the point of view of the people that I expressed, and those who are involved. We have proposals, and we might well meet this situation. That is our position, Mr. Beer.

Mr. BEER: I wonder whether or not an agency to be effective would have to be a co-operative. The producers in eastern Canada would place their orders, and the agencies would then buy grain at the best possible price from the sources available; and these orders would be binding on the producer to accept that amount of feed from the co-operative, otherwise it would not work. Otherwise, if grain dropped, there would be a tendency for the farmer to go to the cheapest source of feed at that particular time, and it might leave your agency standing or sitting with a large volume of feed at the higher price. This could be quite expensive.

Mr. GLEAVE: Well, it would seem to me that such an agency, if it had this power, would surely have the exact knowledge of the consumption or demand, shall we say, in given areas, that is, over its marketing areas. It would surely have knowledge and would arm itself with the knowledge of what was required. If it was engaging for these quantities of grain, then I would think it should be able to protect itself. That is my thought.

Mr. BEER: You mean that its bargaining position would be strengthened?

Mr. GLEAVE: Yes, and too, it would seem to me that it would be in the interest of the large co-operatives here in eastern Canada—and they are considerable—to support such an agency; it would be in their own interest, it would seem to me.

The CHAIRMAN: Mr. Gundlock.

Mr. GUNDLOCK: Mr. Chairman, I would like to ask about something which is not in the brief, if I may; I would like to ask Mr. Gleave and his organization through him what would happen if we could imagine for a moment that the Crow's Nest freight agreement were applied to all grain to the west coast rather than just to the export portion as it is now. Would this affect your brief very much?

Mr. GLEAVE: Well, it would affect it, because it would affect the cost of the movement of grain certainly, but I doubt if it is apt to happen. Certainly it would affect the cost of moving grain. As a registered feed grower I have shipped carloads of grain internally in Saskatchewan, and I can tell you that the difference is considerable, when you no longer have the benefit of Crow's Nest rates. So my answer would be yes, it would affect it.

Mr. GUNDLOCK: Could you say anything—to put it frankly—which would be in favour of something along these lines? Looking at the feed grain picture in all Canada, would you be in favour of something comparable to your proposals?

Mr. GLEAVE: Well, I would think that you had better deal with it as it is being dealt with, because you would not be able to get the railroads to agree

to apply the Crow's Nest rates unless the government agreed to give them a subsidy between what they are now charging and the cost at which the grain would move. So you simply come back to the same position.

Mr. GUNDLOCK: That is what I was trying to find out. Actually, would it not be the same position tied in with the whole feed grain picture? I have said before that perhaps I should not bring this up here, but as it is in the whole feed grain picture, it could possibly affect the thinking.

Mr. GLEAVE: I cannot even say how it would work, because grain movement from Port Arthur or Fort William is mainly by water, and Crow's Nest rates do not apply here at all. I think I would say no, but I cannot see how it would apply or work out.

The CHAIRMAN: Mr. Vincent.

(Translation)

Mr. VINCENT: Mr. Chairman, I would like to put a few questions to Mr. Gleave. It can be seen that at the present time, most or even all the agricultural associations are recommending the establishment of a feed grain agency in eastern Canada. In the House most of the representatives of rural ridings are asking for the same thing. We also find a number of people or a number of organizations who are opposed to such an agency because, as they say, they cannot see what direct advantage it would have for the farmer or the producer. Could you tell us what your answer is to the argument of these organizations or of the people who are opposed to setting up an agency who say: "Tell us what advantages the eastern farmers would derive from such an agency". Could you summarize the advantages once more?

(Text)

Mr. GLEAVE: Well, to our thinking such an agency would stabilize prices, or could stabilize prices to the consumer of these feed grains. What the people in eastern Canada have said to us is: We do not want to buy western grain at distressed prices. What they have said is that the variation in price which they have to pay there, shall we say, from month to month and week to week is too great, and that they cannot plan a feeding program when prices are varying up and down. We think that such an agency by making feed supplies available at stable prices to co-operatives and to private dealers, and where possible to the farmers themselves, would even out the swings in price and supplies.

(Translation)

Mr. VINCENT: According to your experience and your investigations, was there a considerable difference between the price the eastern consumer or farmer paid for oats and barley last winter or now, and the price he paid last August or September? According to your calculations or your observations what is the price differential?

(Text)

Mr. GLEAVE: We have no figures as recent as that. Our proposals are based upon the experience over, shall we say, recent years, on the statement which I read into the record, and on our conversations with these people.

The CHAIRMAN: Thank you. Now, Mr. Muir.

Mr. MUIR (*Lisgar*): Mr. Chairman, I would like to go back to the question of feed mills for a moment if I might. Like Mr. Jorgenson, I also represent an area which if it does not have as many feed mills as his area, would probably

have very few less. Since I was elected back in 1957 I never could understand the Farm Unions opposition to our feed mill policy.

I would like to ask the chairman if his organization feels that feed mills have never exploited the farmers?

Mr. GLEAVE: I do not know if you can charge the feed mills with exploiting the farmers. Anyone in business makes the best profit he can. I run my own farm and I make the best profit I can out of that farm. I buy my supplies as cheaply as I can and I sell my products for as much as I can. I would fully expect that the feed mill would do the very same.

Our stand is simply based on the fact that the protection which the grain producer has for stability of price exists in his bargaining agent, the Canadian wheat board. Therefore, we say that these commercial interests who are buying grain should buy more grain from the Canadian wheat board, and this gives the farmer improved bargaining power. That is our position.

Mr. MUIR (*Lisgar*): Do you yourself as a farmer say that you look for the best price?

Mr. GLEAVE: Yes.

Mr. MUIR (*Lisgar*): Do you suggest that the farmers who sell to the feed mills have any less intelligence than the men who want, like yourself, to bargain for the best price they can get? I think that line of argument is an insult to the intelligence of our farmers. The feed mills at no time have ever prevented a farmer from selling or purchasing supplies from other farmers. I think, as a farmer myself, when a feed mill operator comes to me, he is going to have to bargain with me the same as the man who is bargaining with you, and I am going to get the best price from him. Would you not agree that this provides an alternative outlet for our farm production particularly under surplus conditions?

Mr. GLEAVE: Well, the outlet was there anyway, so obviously there were some people ready to buy that grain such as the one who was feeding it, and the feed miller who is merely a transfer point or a processing point. Far be it from me to insult the intelligence of my fellow farmers. But I can tell you about the grain on my own farm, for I am a grain farmer. I never sold any to the feed mill. I certainly would not discount the grain. I can only answer your question obviously from my own position.

Mr. MUIR (*Lisgar*): Then, according to what you say, all the feed mill does is to provide another outlet. The outlet is there, so it gives the farmer even another bargaining agency to work with.

Mr. GLEAVE: It is not a bargaining agent. The feed mill is a manufacturing concern. It takes the raw product and converts into something else and sells it to the person who is ready to buy it.

Mr. MUIR (*Lisgar*): Without a surplus condition certainly the farmer does not feel that he has to get rid of his grain anyway to the wheat board. But under surplus conditions, where the wheat board cannot take all his surplus, he has to have regard to the storage; it costs him money. I think they render a service particularly in my own area. I am thinking of the experience of smaller farmers who do not have the equipment to mix their feeds, who take their grain to the feed mill and get it mixed with the necessary ingredients that they want, and bring it back to their farms. All they do is to pay the feed mill to do it. There is no exchange of grain. That is the one thing that they do. As far as I know, I do not think there has ever been any objection from a farm union to selling surplus carloads of barley over and above the quota of the wheat board.

Mr. GLEAVE: Certainly not. In the case of barley and extra carloads of it, this goes through the wheat board. The farmer receives the price which is bargained for by the wheat board. This is not distress selling.

Mr. MUIR (*Lisgar*): That is true, but this is where we get back to the fact that the farmer is not bargaining, because by allowing the farmer to sell this extra carload of barley, you are allowing him to get rid of what could be a troublesome surplus, and you are denying other farmers the right to do it by their not being able to tell to the wheat board. As far as I know I have never heard of a farm union objecting to the farmers trying to trade wheat for other grain, for cars and machinery or whatever they wish, even to the extent of household goods. Yet the grain cannot be resold to the wheat board. So we find out in western Canada grain dealers, machine dealers, and what-have-you with grain, and it is not grain that they have for the purpose of processing. It must be resold, but not to the wheat board. I have never heard of a farm union objecting to this. At least the feed mills process it and manufacture it and get rid of it, and what the other chap does is to resell it to somebody else.

Mr. GLEAVE: That of course is illegal under the wheat board operations.

Mr. MUIR (*Lisgar*): It may be illegal, but it is being done every day of the week.

Mr. THIESSON: Not now, not nearly so extensively.

Mr. JORGENSEN: It was quite prevalent prior to the change in the regulations.

Mr. GUNDLOCK: Could Mr. Gleave tell us if the co-operative pools and the grain handling pools of western Canada operate feed mills themselves?

Mr. GLEAVE: The United Grain Growers operate a feed mill, and the Federated Co-operative which is a consumer co-operative operates a feed mill. I do not know if any of the other co-operatives do so. Does the Alberta pool do so? I do not think the Alberta pool does. I know the Saskatchewan pool does not, and the Manitoba pool does not, as far as I know.

Mr. GUNDLOCK: With co-operatives—and I presume there is an overlapping of membership—who operate these pools, do they operate them in exactly the same way that a private agency would operate a feed mill? Do they buy from the farmer for this purpose, or do they go through the board? How do these pools operate feed mills?

Mr. GLEAVE: None of the wheat pools operate feed mills.

Mr. GUNDLOCK: I should have said co-operatives.

Mr. GLEAVE: Yes, just the same as a private miller, if any of them do. But I want to be satisfied in that regard that none of the wheat pools operate feed mills in so far as I know.

Mr. MUIR (*Lisgar*): I would like Mr. Gleave to tell us why the farm union objects to the operation of feed mills?

Mr. GLEAVE: We are on record that we support orderly marketing. We think that the farmer should have as much bargaining power as he can, and any attempt we see that is made to weaken that bargaining power, then we are opposed to it. We think that the feed mills can buy their supplies from the Canadian wheat board without suffering, and this is our reason.

Mr. MUIR (*Lisgar*): I cannot see where the bargaining power of the farmer would be weakened by the fact that you add to his alternatives through the purchasing agent. He can still sell to the wheat board if he wishes.

Mr. GLEAVE: Anytime he sells at prices less than the wheat board price, then he is losing money. If you take this to the extreme, you come back to the time when he did not have the wheat board as a bargaining agent.

Mr. MUIR (*Lisgar*): He is not forced to lose money. He must have been doing well if he is selling it.

Mr. THIESSON: He might be forced to do it through the economics of the thing.

Mr. MUIR (*Lisgar*): How is he going to get along without money? If he cannot sell under the cash advance legislation, he cannot be forced to sell his grain to anyone. This objection is not valid as far as I can see.

Mr. GLEAVE: I do not know. I have not discussed this. I have given you all the answers I can give you when expressing our point of view. Our position is simply this, that the wheat board is the bargaining agency for the farmer.

Mr. JORGENSEN: And for interprovincial and export markets as well.

Mr. GLEAVE: We do not think that any important sector of the buying area should be outside of this orbit.

Mr. MUIR (*Lisgar*): The wheat board has to do with export and inter-provincial trade. I hope you will not mind if I suggest that you represent in this attitude alone a very, very small minority of farmers. I say this more in sadness than anything else, because I think as a national farm organization you should be representing the majority.

Mr. GLEAVE: Well, in answer to you I would reply that I have yet to see a resolution coming through any of the provincial conventions supporting the freeing of the feed mills from the obligation to buy from the Canadian wheat board.

Mr. MUIR (*Lisgar*): I think the reason for that concern is that in your organization you have been educating from the top. My neighbours are all ordinary farmers, and knowing what they feel about it, I can say that never at any time have I ever heard anyone suggest to me, outside of the farm union, that the feed mills should be abolished.

Mr. THIESSON: May I say something? I think when you make an example of the farmer having the right or privilege of not selling, or selling to a feed mill, you are only taking half a look at half a picture. You are failing to look at the producer who grows his own grain and feeds his own grain to his own livestock. When he feeds them that grain, he has to take into account, we think, all the grain that he sells through the Canadian wheat board, and on the basis of this information he makes a decision whether or not he is going to feed his livestock with it. He is in competition with every other feeder of livestock in the province, or in the area, or in Canada, in terms of selling his livestock on the market. And obviously he is going to be at a competitive disadvantage in terms of the price he receives for his livestock against the producer who is buying feed grain and who is not bound. The people who are feeding feed grain are not bound, and they are the people well experienced in large volume production. He has a choice here. If the volume of production gets to a point of surplus in the livestock industry in that particular area, then his product is forced downwards, and as a consequence he may be wiped out of livestock production. We say this is unfair competition. I fail to understand why this is so difficult for members of this committee to understand.

Mr. MUIR (*Lisgar*): I have found it difficult to understand your point of view ever since I was elected. Your argument is that the farmer can buy it for a cent a pound. This I doubt. What is to prevent his neighbour from buying it at a cent a pound and underselling him anyway? This is something to which I would like to see your organization give a little more study. I am not trying to downgrade your organization, because I do not downgrade anything which

will do the farmer any good. But I think somebody has given you information in regard to these things which is not correct. I think there should be a further study made on the part of your organization.

Mr. THIESSON: What part of the information?

Mr. HORNER (*Acadia*): I have a supplementary question.

The CHAIRMAN: Are we not getting on the question of the policy of the National Farm Union?

Mr. THIESSON: And on philosophy perhaps, as well.

The CHAIRMAN: It is now twelve o'clock and I have a number of people who wish to ask questions.

Mr. MUIR (*Lisgar*): I was not trying to get into their philosophy. But we have had this organization coming down here year after year with the same thing about the feed mills. We have put our arguments up to them and they have put up their arguments to us. We feel that the feed mills are doing a good job in the community, and have been doing a good job. If they make a profit, which I hope they do, otherwise they would not be in business, it is up to them. But under no circumstances is any farmer in western Canada forced to sell his produce to the feed mills. Under those circumstances I cannot see why we should be coming back to this subject every year.

Mr. HORNER (*Acadia*): I have a supplementary question.

Is it not a fact that under these regulations feed mills now have to declare the amount of grain they buy, and previous to this all you had to do to operate a feed mill in western Canada was to be a machine dealer or a farmer, or set up a feed mill, and you then could buy grain the same way the feed mills are now buying grain. Am I right in this assumption? In other words, the feed mills at the present time have the same privilege as the machine dealer?

Mr. THIESSON: They have the privilege of buying grain when, where and how they want to.

Mr. HORNER (*Acadia*): This is what the machine dealers used to do. The farmers can still do it, as well as the feed lot operators and the feed mills; they are all now on the same basis.

Mr. PETERS: Is it not true that most farm organizations were opposed to the bootlegging that was taking place by such organizations as the farm machine operator?

Mr. HORNER (*Acadia*): There was no such thing as bootlegging.

Mr. GLEAVE: Yes. We are—

Mr. HORNER (*Acadia*): You are making false charges when you accept the term "bootlegging".

Mr. GLEAVE: I did not accept it.

Mr. HORNER (*Acadia*): I am glad you did not.

The CHAIRMAN: Have you a comment on Mr. Peters' question?

Mr. GLEAVE: I believe your question, Mr. Peters, was to the effect: were not farm organizations opposed to this change?

Mr. PETERS: Yes, and also to the practice that had led to the charge of selling outside; that is, sacrifice sales being made by the farmer for one reason or another outside of the organized bargaining agent of the producer.

Mr. GLEAVE: Yes. We are opposed to that on two bases. We are opposed to it on the basis of principle and we are opposed to it on the basis of loss of income to the farmer.

Mr. ETHIER: Mr. Gleave, there has been a great deal of discussion about forming an eastern grain purchasing board. I think you are proposing that in

your brief. How would you propose that board be formed? Have you any suggestions in respect of the setting up of a purchasing board for eastern feeders? To date I have heard no one come up with any proposal in respect of how this board should be formed or, when formed, how it should operate. Mr. Beer asked a similar question to mine a while ago. Would this board be set up on a voluntary basis? What would the farmers union propose? Are there to be representatives from the Ontario department of agriculture, the Quebec department of agriculture, the maritime department of agriculture? Of course, there will have to be a representative from the federal Department of Agriculture. If you do have any suggestions to make to us in this regard they would be very very helpful because, as I say, I have not heard any of the members proposing a way that the board should be formed.

Mr. GLEAVE: Well, we do not make any specific proposals here in respect of how it should be formed. But, I would think you would certainly want such a board to have representatives from farm organizations. Now, if it is going to handle government money and receive government support in its operations, then certainly, in my opinion, you would have to have representation from the federal government. When you come to provincial governments, I would say this would not be essential, but if they so desire to be represented, you could have that.

It would seem to me that the interests of the provincial consumers would be adequately looked after by the representatives of the organization. You have sufficiently strong organizations in Ontario, Quebec and the maritimes, which are sufficiently responsible and, I think, could handle the major part of this responsibility. But, if you had government involved, and I think you would have to, then you would have to have representatives of government on it to see that the government interests were adequately protected. It would seem to me that the composition would be somewhat along those lines; that is, a combination of farm organizations and government, as necessary.

Mr. ETHIER: Would you agree that the legislation passed last August in respect of support for storage in eastern Canada of western grain last winter had the effect of keeping the grain at a certain level in price from the time navigation closed in the fall to the time it opened in the spring? From the figures we have been able to obtain it is our information that from the time navigation closed last fall the price in respect of most of the categories of grain came down between two cents and eight cents a bushel—that is, from last November up until sometime in April. Do you agree with me in that connection? I know the U.C.C. of Quebec do not agree in that respect. But, as I say, we have some records in this connection and it surely does appear that that policy had an effect in keeping control over the fluctuation which used to take place between the time navigation closed in the fall until it opened in the spring.

Mr. GLEAVE: The U.C.C. brief which I quoted from was 1963. Now, the events which you have described took place since then. Although these methods will help it would seem to me that until the consumer himself is able to play an important role in order to control his own destiny that he will be subject to, shall we say, a certain amount of fluctuation and a certain amount of undesirable factors in the market.

Mr. VINCENT: Mr. Chairman, I have a supplementary question. I want to add something to what Mr. Ethier just said.

(Translation)

I would like to point out that Mr. Ethier has just stated that prices did not change last winter, that they were the same as in previous winters because of the new policy. I have here the prices a miller paid for barley last year. Even though the new policy was being applied in August 1963, he paid \$2.26 the

cwt. in September \$2.27, in October \$2.59, in November \$2.54, in December \$2.60, in January \$2.63, in February \$2.48½, in March \$2.45 and in April \$2.47½. This means that the price varies by far more than 2 to 8 cents a bushel despite the new policy. I got those figures from a miller who buys his feed grain at the Montreal storages.

Mr. ETHIER: As for the figures I have just mentioned, I can answer that. I got them from the Federal Department of Agriculture. The price of feed grain was probably higher last winter than in the winter of 1962-63 because of an increase in the price of all western grain. This does not mean to say that the policy guaranteed expenses. As grain was stored last winter the farmers did not pay as much last winter as they did the previous winter.

But the figures I mentioned are from 2 to 8 cents cheaper per peck at the close of the shipping season, that is they were cheaper in the spring than when shipping stopped. If you take the same figures for the previous winter there was a considerable difference from the time shipping stopped until it started up again in the spring. So the policy did help—do not misunderstand me—feed grain was cheaper last winter than it had been the winter before. You cannot blame the market, you cannot blame anyone if the western farmers got a better price for their feed grain last winter than they did the winter before.

Mr. VINCENT: Well, it was not the western farmers. And thereupon I would like to ask you a supplementary question, Mr. Gleave. If, for example, a feed grain agency had been set up in the east last August that body could have bought a certain quantity of barley at \$2.26 the cwt. or at \$2.27 in September. That barley could have been made available to the consumer-producer at a price of, let us say, a few cents higher than the purchase price. The price would have remained the same throughout the winter without any great change. But according to the present system the price differential last year was from \$2.26 to \$2.63 which is approximately \$8 a ton and I think the farmer-consumer considers that that is an excessive margin and in my opinion the idea of setting up a feed grain agency in eastern Canada should receive our full support. I think, if you have looked into the matter, that that is what happened last winter and it is going to happen all the time unless an agency is set up to help the eastern producer-consumer.

(Text)

Mr. ETHIER: I have a further supplementary question.

The CHAIRMAN: Gentlemen, may I interject. I wonder if before we start an exchange between members of the committee Mr. Gleave could be given an opportunity to comment in respect of what has been said.

Mr. HORNER (Acadia): Perhaps at this time we should make a decision whether or not we are going to sit this afternoon. Although I do not want to bring it to your attention it may be that we are short some members right now.

The CHAIRMAN: I have not really noticed but I think it is a good idea to review our position at the present time.

I do not know how many more questions Mr. Ethier has. I know Mr. Webb has two questions.

Mr. WEBB: Yes, and they will be very brief.

Mr. FORBES: I have only a brief one.

The CHAIRMAN: And, Mr. Forbes informs me he has a brief question. If the committee agrees perhaps we could sit another ten minutes and tidy it up.

Some hon. MEMBERS: Agreed.

The CHAIRMAN: May I say that I do not think that members should enter into discussions between themselves. I think the record will indicate the posi-

tion which the members have taken and then it will be up to the committee to decide. I think we should direct our questions to the witnesses present.

Have you any further questions, Mr. Ethier?

Mr. ETHIER: Would you, Mr. Gleave, agree with us that the Union Catholique des Cultivateurs de Quebec and the Cooperative Fédérée de Quebec were not aware of the policy we had passed in August when they came out with their brief. I think this is indicated by their brief.

Mr. GLEAVE: Mr. Chairman, I cannot say what the U.C.C. and Cooperative Fédérée views were in this connection, but I know there was a change in policy. One thing which has concerned us in the past is that the Canadian wheat board has come under criticism for this situation which exists in the east, and I do not think the Canadian wheat board was responsible. This is one factor which has concerned us. As I say, the wheat board has been blamed for some of these things and, from my own personal observation, I am sure that the Canadian wheat board has tried to deal fairly and as well as it possibly could with the eastern consumer.

Mr. THIESSON: I was interested in the prices quoted by the member over on my left and the comment of the other member to the effect that the price increase was largely due to the fact that the price in western Canada had gone up.

The monthly prices of number one feed barley from October, 1963 to June, 1964, were as follows—and this is the market price, the wheat board selling price—\$1.12 6/8 cents for October; \$1.09 5/8 cents for November; \$1.11 for December; \$1.13 4/8 cents for January; \$1.10 6/8 cents; \$1.11 4/8 cents. I see members have these figures.

Mr. FORBES: Mr. Chairman, I think this is a good opportunity for me to break in because I would like to make a comment along the lines of the discussion which is taking place.

The notice that we have is that this committee will continue its inquiry into all matters arising out of and relating to the differences between the prices received for feed grain by the producer in the prairie provinces of Canada and the price paid by livestock feeders in eastern Canada and British Columbia. I have not noticed anything in your brief which makes a comparison of the price between eastern and western Canada but I would like to refer to a previous meeting we had in this connection. I would refer you to page 244 of the committee hearings, at which time we put on the record the history of a bushel of barley from western Canada to eastern Canada and, when you sum it all up, you will find there is no difference in the price. If there is any advantage it accrues to the eastern feeder and not to the westerner. Remember, we are putting the western fellow into the same position as the eastern fellow, where he would be buying as do the fellows in the feed lots. So, there is no need for a solution to the problem; there is no difference. If you take the report which was made recently by Hedlin and Menzies you will note that the report says that the problem is a sociological one and not one which is pertinent to feed grains, although that may be a consideration, but the eastern farmers problem is due principally to the fact that he is a small operator.

The CHAIRMAN: Will you proceed, Mr. Webb?

Mr. WEBB: I have two brief questions. Could you give the committee the average net income per farm by province?

Mr. THIESSON: We have not that with us.

Mr. WEBB: Could you submit them later?

Mr. GLEAVE: We can submit those figures.

Mr. WEBB: I would like the average net income per farm by province.

The CHAIRMAN: Gentlemen, is it agreed that this information will be appended to today's proceedings?

Some hon. MEMBERS: Agreed.

Mr. THIESSON: You want the realized net income?

Mr. WEBB: Yes. May I also ask if the basis or purpose of the submission today in this brief is to give national equalization to farm income?

Mr. GLEAVE: I do not think we would aim that high. That would be a pretty large order. I do not think we would say that. But, we are seeking a better income for farmers, and I would say, Mr. Chairman, in regard to Mr. Forbes' comment, it always bothers me a bit when some report comes along and says the solution to the farmers problem is a sociological one. We may have some sociological problems but this is a very easy way of getting away from the income problem, you know. You see, one could say that the man is a social welfare case and that, as a result of this, it is not necessary to do anything about the price of his product. I am always a little leery of this approach.

Mr. FORBES: This statement was made in connection with the difference between feed grains in eastern and western Canada.

Mr. GLEAVE: Yes. I have not read this report thoroughly. I have read it in part but I have not had time to really study it.

Mr. WEBB: Those are all the questions I have.

The CHAIRMAN: This concludes this session of the committee and I know all members would want me to thank Mr. Gleave and his associates for being with us.

APPENDIX I

Submission by the National Farmers Union to the Standing Committee on Agriculture and Colonization, House of Commons, Ottawa, Canada, on Prices of Feed Grains in Eastern Canada
October 29, 1964

Introduction

The National Farmers Union welcomes the opportunity of appearing before your committee to discuss the subject of variations in feed grain prices as between prairie grain producers and livestock feeders in Eastern Canada and British Columbia.

To place this subject in proper perspective, we wish to review briefly the historical background of the Feed Freight Assistance program.

Historical Background

The main source of imported feed grains used in eastern provinces and British Columbia is the prairie provinces.

In 1941, the federal Department of Agriculture began to pay freight assistance:

(1) To expand the market for western feed grains; and

(2) To provide assistance for livestock production in the six provinces of "Eastern Canada and in the Province of British Columbia on the West Coast by paying a subsidy equal to a significant proportion of the transportation charges on feed grains shipped from the approximate supply terminals to destinations in the seven provinces."

(3) To equalize prices consumers pay for feeds all across Canada.*

The federal government continued this policy in the post-war period at the request of eastern and maritime farmers. Western farmers have, generally speaking, gone along with this policy in the belief that it helped to provide a market for western feed grains.

On August 22, 1963, Agriculture Minister Hays and the Minister of Trade and Commerce, Mr. Sharp, announced a new three-point program to amend and supplement the policy of freight assistance on western feed grain—"to ensure an adequate and orderly supply of western feed grains to supplement local production for the growing livestock and poultry industries of eastern Canada."

The effect of these changes was to:

(1) Provide for the payment of accrued storage charges on western feed grain in licensed eastern elevators during the period October 15 to April 15;

(2) That freight assistance rates be related to the cost of water movement, plus an allowance for inland transportation by rail or truck to provide more uniformity in cost to feeders in different areas, both in British Columbia and Eastern Canada;

(3) The institution of a provisional pricing system for oats and barley moved from the Lakehead to eastern elevators similar to the provisional pricing policy for feed wheat.

Further revisions to the feed freight assistance regulations were announced in July of this year followed by several amendments announced by the Honourable Maurice Sauve, Minister of Forestry, on August 28 last.

* Federal Agricultural Assistance Programs Canada...Marjorie R. Cameron.
21447-3½

The latest regulations, described as "an interim policy" by the Minister, await the adoption of a permanent policy following the completion of the study by this committee.

Most recent changes to the regulations, briefly stated, were as follows:

(1) The zoning of areas in Eastern Canada and rates of assistance established for each zone on a flat rate basis, by whatever combination of water, rail or truck movement the grain comes, with the following exceptions:

- (a) Previous rates for all-rail transportation of screenings and mill-feeds to the Maritimes are retained in addition to the zone rates;
- (b) While the St. Lawrence Seaway is frozen, existing rates for rail hauling of grain from Prescott and Quebec City are retained for the coming winter only, to avoid possible difficulties which might arise out of lack of sufficient storage at Halifax.

(2) The permission of possible truck competition with the previously exclusive rail carriers.

(3) Adjustments within provinces to equalize balances of transportation costs to various destinations.

(4) Revisions in assistance rates as follows:

- (a) Increased by 60¢/ton in British Columbia;
- (b) Reduced by 20¢/ton in Western Ontario
- (c) Increased by 40¢/ton in Eastern Ontario;
- (d) Several revisions in Quebec, the net result of which may increase assistance in this area;
- (e) Revisions in the Maritimes which will have the effect of increasing assistance.

Regional Pricing Policies

There are, for all practical purposes, three pricing areas in Canada for feed grain:

(1) East of the Great Lakes, bulk purchasers of feed grains at Lakehead terminals use prices established on the trading floor of the Winnipeg Grain Exchange which reflect world conditions and demand. The farmer consumer would pay in addition to the basic Lakehead price such items as brokerage fees, interest charges, milling fees and profit margins which may be added as the feed grain moves through distribution channels to the farm. Outside of domestic supplies, corn from the United States can enter over a tariff of 8¢/bushel without the advantage of freight assistance. At present, a discount between Canadian and U.S. currency is a further important deterrent. However, this cannot be considered a permanent feature since it can change, as it has done before. While government can control the imports of U.S. corn, it is our understanding that government has not exercised this control in recent years.

(2) In the prairie provinces there are both sellers and buyers of feed grains among farmers. The producer of feed grains who does not feed livestock or has a saleable surplus may dispose of this product in two ways:

- (a) He may deliver his grain to a country elevator and accept the Canadian Wheat Board initial price less freight and handling charges into Lakehead terminals.

Delivered at Saskatoon, Sask., which has a 22¢/cwt. freight rate to Ft. William and Port Arthur, the current initial farm price on feed oats, barley and No. 5 wheat would be as follows:

	Ft. Wm./Pt. Arthur Initial Price (Per bus.)	Initial Price to Farmer
No. 1 Feed Oats	55¢	44¢
No. 1 Feed Barley	87¢	71 $\frac{7}{8}$ ¢
No. 5 Wheat	\$1.21	\$1.03 $\frac{1}{4}$

In addition to the initial payment, the farmer may receive a final payment upon the closing of each crop pool.

For deliveries in the 1962-63 crop year, the final prices received by farmers for deliveries of the above grade grains were as follows:

	Initial price to Farmer	Final Payment (cents per bushel)	Total Realized Price to Farmer
No. 1 Feed Oats	44¢	12.967¢	56.967¢
No. 1 Feed Barley	71.875	18.192	90.067
No. 5 Wheat	103.25	48.301	151.561

- (b) He may choose to sell his product directly to another farmer or a fed mill at a negotiated cash price. The price in either of these two transactions would be similar. The current purchasing price by feed mills in Saskatoon for No. 1 feed oats and barley and No. 5 wheat or better is as follows:

No. 1 Feed Oats (or better)	50¢ per bushel
No. 1 Feed Barley (or better)	80¢ per bushel
No. 5 Wheat (or better)	\$1.50 per bushel

A farmer buyer may purchase feed grains from other farmers or he may purchase the manufactured product of the feed mills. But by far the greatest volume of feed grains fed to livestock are home-grown by the farmer himself in a grain-livestock production program. It is concern for the welfare of this type of family farm operation that has prompted our organization to object most strenuously to the exemption of feed mills from the regulations of the Canadian Wheat Board in the purchase of feed grains.

We believe the effect of these exemptions automatically puts this class of family sized farm at a competitive disadvantage for feed costs with large-scale feeder operations. These operations may often be in a position to acquire feed grains at prices below the costs of production of the farmer producing and feeding his own grain, particularly when such an operation is financed by non-farm capital such as a packing plant or a feed mill. The effect of this situation is to undermine the income earning potential of the farm family by rendering it less competitive in the production of a secondary farm product.

The argument is sometimes used that the quantity of feed grains purchased by feed mills is relatively small in terms of total production, consumption and marketings in Western Canada. (See tables I and II, Appendix A).

Irrespective of this, exemptions of feed mills from Canadian Wheat Board regulations tend, we believe, to allow a serious breach in principle to board marketing. Using current feed mill prices, it cost those producers who sold directly to feed mills a minimum of \$1,081,057 in the 1962-63 crop over final Wheat Board prices in that year and an undetermined amount more than this

on the basis of superior grades sold at feed mill prices. This was a direct transfer of capital from the grain industry to the livestock industry and sets the competitive operating margin by which the feeder of home-grown grains can feed livestock.

(3) In British Columbia, feed grains may move freely from certain designated points in the B.C. Bloc of the Peace River region into areas where livestock or dairy cattle are fed in the interior or at the coast. In this instance, market prices are not established by an agency such as the Grain Exchange or the Canadian Wheat Board, but are arrived at through buyer-seller bargaining, sometimes with a grain elevator company acting as an intermediary.

In addition, of course, feed grains may be purchased by dealers from Canadian Wheat Board stocks located at west coast terminals.

We cite these examples to illustrate variations in the feed grain market as between the three main consuming areas in Canada.

Considerations of a Permanent Feed Grain Policy

There are a multiplicity of relative factors that must be taken into account in determining a permanent feed grain policy for Canada.

It must be recognized that the prairie farmer enjoys a natural advantage in the ability to produce an abundance of feed grains and fodder that can readily be converted to meat. What he lacks is the large metropolitan market to which the eastern and west coast livestock feeder has ready access.

The principles of the feed freight assistance program should, we believe, be basically twofold:

(1) It must permit the eastern producer to economically expand his livestock production beyond the ability of his natural feed resources to do so and thereby increase his income earning potential.

(2) It must recognize the welfare of the prairie producer of feed grains and livestock.

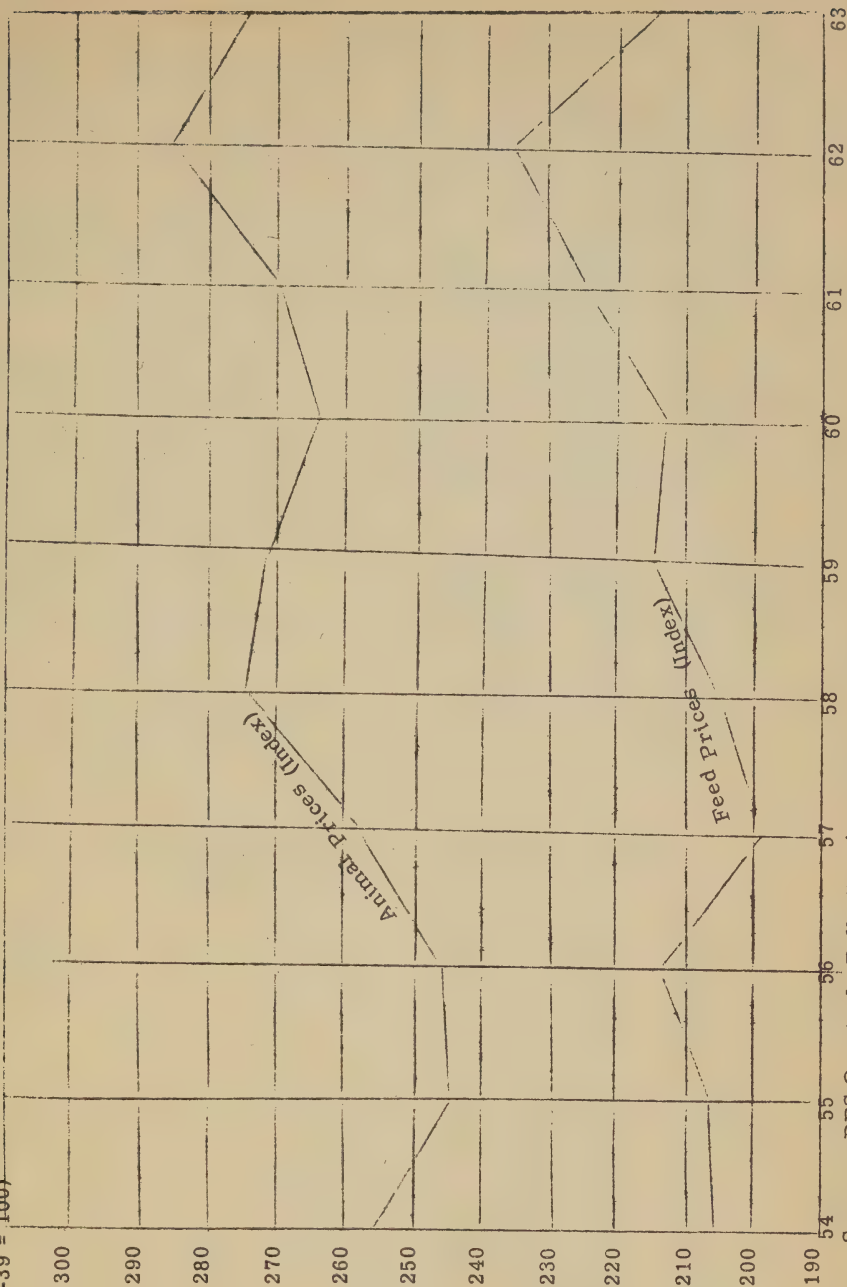
We submit that the controlling factor in the concentration of livestock production lies in the market price the producer of feed grains receives for his product. If the price he receives is too low, then either sufficient grain for the eastern market will not be produced or the western farmer will simply expand his own livestock feeding operation.

We believe that the relationship between feed and animal prices run parallel to one another and that low feed costs would not guarantee a wider profit margin for the livestock feeder. This trend is illustrated by the accompanying chart. (See page 353.)

The federal feed freight assistance and storage program has already gone a long way toward lowering the eastern producer's cost of acquiring western feed grains. We believe there has been ample evidence in the past of widespread price speculation which has not provided the eastern feeder with the full advantages of assistance programs already in effect.*

* See brief of L'Union Catholique des Cultivateurs and of La Co-opérative Fédérée de Québec concerning feed grains...October 18, 1963.

CHART I
Animal and Feed Price Indexes Compared .. 1954-1963
Index
(55-59 = 100)



Source: DES Quarterly Bulletin - Agricultural Statistics

Recommendations

1. We strongly recommend the organization of an eastern feed grain purchasing agency which will have the power to place into forward positions each year prior to the close of navigation, adequate stocks of the desired types of feed grains required for winter feeding purposes.

We recommend also that such an agency be empowered to:

- (a) Negotiate for supplies and prices with the Canadian Wheat Board;
- (b) That it be placed in charge of the feed freight assistance and storage program;
- (c) That it undertake a study to determine the proper location for additional storage facilities where required;
- (d) That it have representation from farm organizations.

2. We further recommend that prairie feed mills be again placed under the price and quota regulations of the Canadian Wheat Board.

3. We think one factor that should not be lost sight of is that regardless of the cost of feed grains either in eastern or western Canada, if the price of the finished product (that is, beef, pork, poultry meat or dairy products) drops to a low level, then the raising of livestock or poultry will be an unprofitable operation to the farmer. It would be a mistake for farmers to conclude that they can solve their problems entirely by a feed grain policy that would assure ever-cheaper supplies of feed.

We recommend that this committee should concern itself with the establishment of floor prices in combination with deficiency payments so that the farmer will be assured of adequate returns.

4. We recommend also that producer-controlled marketing boards (either provincial or federal or in combination) are necessary in order to stabilize prices of farm products and to ensure that prices are remunerative to the producer.

All of which is respectfully submitted by
NATIONAL FARMERS UNION

Appendix A

Table I

THE CANADIAN WHEAT BOARD

STATEMENT OF PURCHASES FROM PRODUCERS BY NON-QUOTA FEED MILLS FOR WHEAT,
OATS AND BARLEY FOR THE PERIOD AUGUST 1, 1961 TO JULY 31, 1964

	Wheat	Oats	Barley	Total
August 1/61 to July 31/62				
Manitoba.....	665,114	1,002,774	446,408	2,114,296
Saskatchewan.....	567,291	292,399	609,815	1,469,505
Alta. & B.C.....	1,403,122	2,202,918	3,019,712	6,625,752
	<u>2,635,527</u>	<u>3,498,091</u>	<u>4,075,935</u>	<u>10,209,553</u>
August 1/62 to July 31/63				
Manitoba.....	716,130	1,086,124	361,393	2,163,647
Saskatchewan.....	375,119	251,561	491,202	1,117,882
Alberta.....	1,342,499	2,425,442	2,997,551	6,765,492
B.C.....	216,914	175,925	213,242	606,081
	<u>2,650,662</u>	<u>3,939,052</u>	<u>4,063,388</u>	<u>10,653,102</u>
August 1/63 to July 31/64				
Manitoba.....	754,732	1,329,711	390,060	2,474,503
Saskatchewan.....	357,593	285,584	474,827	1,118,004
Alberta.....	2,166,572	2,693,457	3,787,400	8,647,429
B.C.....	77,289	114,840	272,252	464,381
	<u>3,356,186</u>	<u>4,423,592</u>	<u>4,924,539</u>	<u>12,704,317</u>

Table II

THE CANADIAN WHEAT BOARD

STATEMENT OF PURCHASES BY FEED MILLS IN WESTERN CANADA FROM THE CANADIAN WHEAT BOARD
FOR THE PERIOD AUGUST 1ST, 1961 TO JULY 31ST, 1964

	Wheat	Oats	Barley
1961-62 Crop			
Manitoba.....	3,411.0	102,776.0	29,006.0
Saskatchewan.....	2,905.0	30,010.0	39,567.0
Alberta.....	143,213.0	311,803.0	545,469.0
British Columbia.....	132,010.0	106,179.0	154,410.0
	<u>281,539.0</u>	<u>550,768.0</u>	<u>768,452.0</u>
1962-63 Crop			
Manitoba.....	38,581.0	132,069.0	39,675.0
Saskatchewan.....	20,231.0	30,577.0	53,899.0
Alberta.....	126,447.0	121,011.0	339,483.0
British Columbia.....	27,662.0	82,716.0	12,918.0
	<u>212,921.0</u>	<u>366,373.0</u>	<u>445,975.0</u>
1963-64 Crop			
Manitoba.....	24,066.0	124,886.0	67,945.0
Saskatchewan.....	11,378.0	26,859.0	82,709.0
Alberta.....	216,963.0	441,562.0	252,692.0
British Columbia.....	103,065.0	137,221.0	24,514.0
	<u>355,472.0</u>	<u>730,528.0</u>	<u>427,860.0</u>
	<u>849,932.0</u>	<u>1,647,669.0</u>	<u>1,642,287.0</u>

Table III
 SHIPMENTS OF WESTERN GRAINS AND FEEDS INTO EASTERN CANADA AND BRITISH COLUMBIA FOR THE 1962-63
 CROP YEAR (AUGUST 1 TO JULY 31) AND AMOUNT PAID IN FREIGHT ASSISTANCE

	Wheat (tons)	Oats (tons)	Barley (tons)	Rye (tons)	Corn (tons)	Screenings (tons)	Mill-feeds (tons)	Total (tons)	Amt. paid in freight assistance \$
Ontario.....	105,006	162,060	190,734	486	—	27,516	130,074	615,876	3,145,383.86
Quebec.....	132,242	230,686	278,355	1,233	—	32,692	240,968	916,176	7,457,302.78
New Brunswick.....	9,991	14,106	13,132	40	—	5,929	28,334	71,532	971,599.98
Nova Scotia.....	23,431	24,582	20,576	—	—	7,822	32,328	108,739	1,540,802.49
Prince Edward Island.....	3,010	2,018	5,435	—	—	1,044	7,659	19,166	275,868.75
Newfoundland.....	3,277	5,583	3,652	20	—	2,143	6,931	21,607	289,302.44
British Columbia.....	53,835	43,308	57,686	—	1,112	3,433	33,455	192,829	1,590,749.68
TOTAL.....	330,792	482,343	569,570	1,779	1,112	80,579	479,749	1,945,925	15,571,009.98

June 10, 1964
 Plants Products Division,
 Department of Agriculture,
 Ottawa, Ontario.

HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964

STANDING COMMITTEE

ON

Agriculture and Colonization

Chairman: RUSSELL C. HONEY, *Esq.*

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 11

Respecting

PRICES OF FEED GRAINS

TUESDAY, NOVEMBER 10, 1964

WITNESSES:

Mr. Harold H. Lasher, Lasher Feed and Seeds, Napanee, Ontario.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1964

STANDING COMMITTEE
ON
AGRICULTURE AND COLONIZATION

(*Chairman:*) RUSSELL C. HONEY, *Esq.*

(*Vice-Chairman:*) PATRICK T. ASSELIN, *Esq.*

and Messrs.

Alkenbrack,	Forgie,	McIntosh,
Armstrong,	Gauthier,	Muir (<i>Lisgar</i>),
Barnett,	Gendron,	Mullally,
Béchar, d,	Groos,	Nasserdén,
Beer,	Gundlock,	Noble,
Berger,	Horner (<i>Acadia</i>),	O'Keefe,
Brown,	Howe (<i>Wellington-</i>	Olson,
Cardiff,	<i>Huron</i>),	Peters,
Choquette,	Jorgenson,	Rochon,
Cooper,	Kelly,	Roxburgh,
Crossman,	Konantz (Mrs.),	Southam,
Cyr,	Korchinski,	Tardif,
Danforth,	Langlois,	Temple,
Dionne,	Laverdière,	Vincent,
Doucett,	Lessard (<i>Lac-Saint-</i>	Watson (<i>Assiniboia</i>),
Drouin,	<i>Jean</i>),	Watson (<i>Châteauguay-</i>
Émard,	Madill,	<i>Huntingdon-</i>
Éthier,	Mandziuk,	<i>Laprairie</i>),
Fairweather,	Mather,	Webb,
Forbes,	Matte,	Whelan—60.
Forest,	McBain,	

Quorum 20

D. E. Levesque,
Clerk of the Committee.

CORRECTIONS

PROCEEDINGS No. 8—Tuesday, October 6, 1964.

In the evidence of Montreal Corn Exchange Association—Page 249, paragraph 4 from the bottom of the page (Mr. Whelan speaking) "It was \$2.25 a bushel in 1949 and it is \$1.05 now." this should read "\$1.65 now". Page 251, paragraph 5, line 3, "the reason why this cent a bushel" should read "the reason why this 8 cents a bushel".

PROCEEDINGS No. 9—Thursday, October 22, 1964.

In the evidence of British Columbia Federation of Agriculture—Page 298, paragraph 11 at the middle of the page "you mean if you bought it from a feeder?" read "from a feed dealer?" paragraph 13 same page "and you pass it on" should read "then he passes it on." same page paragraph 17 last line "east Kootenays, they pay \$4.40." read "east Kootenays, you pay \$4.40 plus."

Page 301, paragraph 5 from the bottom of the page, at the end of line 2 "does not make feed grain" should read "does not make feed grade." same paragraph line 5 "according to the grain" read "according to the grade"

Page 303, paragraph 2 line 1 "single system of marketing grain" should read "single agency system of marketing wheat" same paragraph line 5 "would be more advantageous" read "would not be more advantageous"

Page 304, paragraph 1 last line "only vary on wheat and oats." read "only vary on barley and oats." paragraph 5 line 2 "the freight rate to the coastal areas less \$2.60." should read "freight assisted rate to the coastal areas less an additional \$2.60."

Page 307, paragraph 8 at the middle of the page "I telephone the terminal to buy from them a ton of No. 5 wheat." read "a car lot of No. 5 wheat."

Page 308, paragraph 8 line 1 "which is closer to Calgary and the" read "which is closer to the Calgary rate and the"

Page 309, paragraph 2 from the bottom of the page "There is some grain in eastern Canada;" read "There is some grown in eastern Canada;" same paragraph last line "If we were buying our grain" should read "If we were importing our grain"

MINUTES OF PROCEEDINGS

TUESDAY, November 10, 1964.

(14)

The Standing Committee on Agriculture and Colonization met this day at 10.20 o'clock a.m. The Chairman, Mr. Russell C. Honey, presided.

Members present: Mrs. Konantz and Messrs. Alkenbrack, Asselin (*Richmond-Wolfe*), Brown, Cardiff, Cooper, Crossman, Danforth, Doucett, Forest, Forgie, Honey, Horner (*Acadia*), Howe (*Wellington-Huron*), Jorgenson, Kelly, Laverdière, Matte, McBain, Muir (*Lisgar*), Mullally, Nasserden, Noble, Olson, Peters, Rochon, Roxburgh, Watson (*Assiniboia*), Webb (29).

Witness: Mr. Harold H. Lasher, Napanee, Ontario.

In attendance: From the Department of Forestry: Mr. Benoit Lavigne, Director of Eastern Feed Grains.

The Chairman welcomed the witness and asked Mr. Alkenbrack to introduce Mr. Lasher.

The Committee proceeded to the questioning of the witness.

The examination of the witness being concluded, Mr. Cardiff moved, seconded by Hr. Horner (*Acadia*), and it was *agreed* that a vote of thanks be extended to Mr. Lasher for his evidence.

As requested by Mr. Webb at a previous meeting, a table showing "The average net income per farm by Province" is appended to this evidence. (See Appendix 1).

At 12.20 o'clock p.m. the Chairman adjourned the Committee to Thursday, November 19, 1964.

D. E. LEVESQUE,
Clerk of the Committee.

Note—The evidence, adduced in French and translated into English, printed in this issue, was recorded by an electronic apparatus, pursuant to a recommendation contained in the Seventh Report of the Special Committee on Procedure and Organization, presented and concurred in, on May 20, 1964.

EVIDENCE

TUESDAY, November 10, 1964.

[Text]

The CHAIRMAN: Mrs. Konantz and gentlemen, we have a quorum.

I will ask Mr. Alkenbrack if he will introduce our witness today. Mr. Lasher is from Mr. Alkenbrack's riding and he is a personal acquaintance of Mr. Alkenbrack.

Mr. ALKENBRACK: Mr. Chairman, Mrs. Konantz, colleagues on the committee, it is an honour to introduce to you an old townsman—and I do not mean "old" townsman in the full sense of the adjective because, as you can see, he is quite a youthful man for one who has been a feed grain man for over 25 years in Napanee.

Mr. Lasher was born and brought up in the township of Richmond, which is outside Napanee. He came to Napanee 25 years ago and started with nothing but lots of ambition in the feed grain business. He has worked up that business to be the largest independent feed grain business in our district. He also has a branch in Kingston, although Napanee is still his main operating point.

An outstanding contribution has been made by Mr. Lasher to municipal affairs in our town and county. He went into municipal politics in 1952 and was concerned with them until 1960. He progressed through all the chairs of town and county councils, Napanee being the county town, as you will recall, of our county. That culminated in his rise to Mayor of Napanee in 1959 and 1960. Since he retired, undefeated, he has been devoting most of his time to his business and to service club work and community work in Napanee.

I give you Harold H. Lasher of Napanee—Lasher's Feed and Seed.

The CHAIRMAN: Thank you very much Mr. Alkenbrack. We all join in welcoming you here this morning, Mr. Lasher.

The witness does not have a prepared brief. We told him this meeting would be informal and that we would look to him for some good practical advice and evidence in his capacity as a feed merchant in rural Ontario.

Before we proceed to ask you some questions, because our committee represents the whole nation and some of us are not familiar with the Napanee area—indeed, some of us are not too familiar with the Ontario agricultural industry and particularly the feed aspect of it—I wonder if you would take a few minutes to tell us where Napanee is, the size of Napanee, the area that you serve, and generally inform the committee of your business.

Mr. HAROLD H. LASHER (*Feed Grain Merchant, Napanee, Ontario*): Thank you very much, Mr. Chairman; thank you, Doug, ladies and gentlemen.

I am in the feed business in Napanee and I am in the seed business as well. We are retailers and we do a certain amount of wholesaling, but not too much. We buy a lot of our barley and oats supplies in the west, and we use western wheat. Most of the corn comes either from the United States or from western Ontario.

The main part of our business is concerned with serving farmers in the area covering approximately a radius of 50 to 75 miles, both from Kingston and Napanee.

I did not prepare any brief here because I did not know what this committee wished to talk about. I believe you are discussing the situation of the feeding problems of farmers in the east and the cost of grain.

Mr. Chairman, perhaps you would like to take it from there.

The CHAIRMAN: Thank you very much, Mr. Lasher.

There are two or three things that occur to me about which you might tell us, including the location in Ontario of the town of Napanee where you have the head office of your business.

Mr. LASHER: I am located in Napanee on a railway siding. The population of Napanee is around the 5,000 mark. In the area I would think there is a population of about 17,000 people whom we serve.

Mr. JORGENSEN: Mr. Chairman, I would like to ask a question of the witness.

Did you ask to appear before this committee or were you requested to appear?

Mr. LASHER: I was requested to appear.

Mr. JORGENSEN: You mentioned that you did a certain amount of wholesaling. Would you mind telling us to whom you wholesale?

Mr. LASHER: We wholesale to other dealers.

Mr. JORGENSEN: To other feed mills?

Mr. LASHER: To other smaller feed mills that are not big enough possibly to bring in carloads.

Mr. JORGENSEN: What would be the percentage of western feed grains in your business?

Mr. LASHER: We would use about 75 or 80 per cent.

Mr. JORGENSEN: Of western feed grains?

Mr. LASHER: Yes.

Mr. JORGENSEN: The rest is made up of what?

Mr. LASHER: Seventy five or 80 per cent, including corn.

Mr. JORGENSEN: What percentage of corn would that be?

Mr. LASHER: We would use about 15 to 20 per cent of corn.

Mr. JORGENSEN: And that would come from the United States?

Mr. LASHER: In the past year or so it has been coming mostly from the United States, but I believe this year Ontario will have considerably more corn, and the United States corn price at the present time is out of line with western Ontario corn. Transportation costs, of course, are high from the corn belt in Ontario as compared with the cost of bringing it in by boat to my location.

Mr. JORGENSEN: How many milling operations do you have? Do you have just the one in Napanee?

Mr. LASHER: I have one in Napanee and one in Kingston. I also have one of the new mobile units that does grinding around the farms.

Mr. JORGENSEN: What percentage of your total business would be done in that way?

Mr. LASHER: Do you mean what percentage of our business is custom work—as we term it?

Mr. JORGENSEN: Of the amount of feed you produce and process and sell to the farmer what percentage would be done by mobile units?

Mr. LASHER: I cannot give you an accurate figure on that but I would say approximately 25 per cent.

Mr. DANFORTH: I was very interested in the answer you gave to the question with regard to United States corn.

When you use United States corn in preference to Ontario corn, is your decision influenced strictly by a price factor?

Mr. LASHER: At the present time it would be but it cannot be 100 per cent influenced by that because the quality of corn from the United States is better at the present time.

Mr. DANFORTH: When you say the quality is better are you speaking of the ingredient in the corn, the protein or carbohydrate, or are you speaking of a moisture factor?

Mr. LASHER: I am speaking more of the moisture factor; it is more consistent.

The corn comes down by transport from western Ontario. I had a truckload the other day and I had to turn it because it was not properly dried. It was bought as dried corn. We buy it at 14.5 moisture. That is the moisture content it is supposed to have. I believe the driers in western Ontario are only required to dry it to 15.5 per cent. The corn will not keep in the bin.

Mr. DANFORTH: If I understand the answer to your question correctly, the bulk of the grain used in your prepared feeds is western grain. Am I correct in that assumption?

Mr. LASHER: That is correct.

Mr. DANFORTH: When you buy that western grain do you take advantage of the fact that there is a subsidy on the freight or the transportation from the lakehead? Is that correct?

Mr. LASHER: Actually, we hardly consider it because it is just that much taken off per bushel or per ton; it is on a per ton basis. It is figured in the cost.

Mr. DANFORTH: It is a price factor? There is no subsidy on Ontario grains coming into your establishment?

Mr. LASHER: No. There is no subsidy on Ontario grains and there is no subsidy on United States grains coming in. As a matter of fact, getting back to corn, the price of the last corn I got in the Prescott elevator was about \$55 per ton c.i.f.—that is in the elevator. We have to pay for loading. Western Ontario corn—on the 15.5 basis as opposed to the United States 14.5 basis—would be about \$5 per ton less today, delivered.

Mr. DANFORTH: The Canadian corn would be \$5 per ton less?

Mr. LASHER: On a delivered basis, yes—\$5 per ton less. It costs about \$3 per ton to bring it from Prescott, which brings it from \$58 to what we can buy it for now, \$53.50. It is about \$4.50 per ton less.

Mr. DANFORTH: Mr. Chairman, the information Mr. Lasher is giving us with regard to corn is most interesting, and I would like to recap for a moment.

Mr. Lasher, if I understood you correctly you said that you at the present time would use United States corn in preference to Canadian corn because of the quality or the moisture content. Would you do this even though there were a difference of \$3 to \$3.50 per ton?

Mr. LASHER: In some cases we have to do so, yes. This western Ontario corn will not keep if it is not used up right away. For instance, recently the Joyceville penitentiary wanted to buy some corn from us. We have not delivered it yet. They are asking for United States No. 2 corn.

Mr. DANFORTH: United States No. 2?

Mr. LASHER: United States No. 2, yes, instead of Canadian corn. All this corn is No. 1 or No. 2, and one hardly ever gets No. 1; it is mostly sold on the basis of No. 2 corn. No. 3 would probably be more cracked or something like that, or a lower grade. We have sometimes used No. 3 or No. 4, but only for grinding purposes. It is all ground pretty well, anyway, but some of them want it. The kernels are more broken when it is dried and its brings the grade down.

Mr. DANFORTH: Mr. Lasher, anyone in the feed business knows there is quite a wide variation seasonally and even from month to month on the price that has to be paid per ton for mixes or complete feeds. May I ask you where, in your opinion, the variation comes. Is it in the cost of feed grain or the cost of concentrates?

Mr. LASHER: It can be both. For instance, this year I think the price of western oats or barley to us is about \$6 per ton higher than it was last year at this time. Soy bean meal, which we use in a concentrate, is a little lower this year.

Mr. DANFORTH: Have you any explanation why this grain should be \$6 per ton higher this year?

Mr. LASHER: I suppose it is just a matter of supply and demand. It seems to be a case of supply and demand. In other words, if one has a substantial amount of export, if a lot of wheat is exported or a lot of barley or something like that, then the tendency probably is toward higher prices.

Mr. DANFORTH: I propose to ask you some questions with regard to your business, and if I am asking for information about your private business which might be injurious to you on a competitive basis please feel free not to answer.

I would like to ask you this question. You have stated that the price of your whole grains and of the component parts varies from time to time. Is it a fair question to ask you how often you have to revise your rates to farmers?

Mr. LASHER: Prices vary almost every day. All this grain is bought through the grain exchange, and of course the Canadian wheat board pretty well sets the price now. I am talking about western grain.

Mr. DANFORTH: But you revise your rates from day to day or from week to week?

Mr. LASHER: If necessary, yes. We do not necessarily do it every day but we have to look at them every day and watch the prices.

Mr. DANFORTH: In other words, a feeder who bought on Monday and a feeder who bought on Friday would perhaps pay entirely different prices for the same product?

Mr. LASHER: That is right.

Mr. DANFORTH: That could conceivably happen, could it?

Mr. LASHER: Yes.

Mr. DANFORTH: I have one other question.

Is it the practice here in Ontario to give preferential discounts? What I mean is a discount to anyone who buys in bulk as opposed to one who buys in sacks. Do you allow special discounts to those who buy in quantity and in bulk?

Mr. LASHER: Yes.

Mr. DANFORTH: Therefore, if a feeder were buying in bulk delivered, he would perhaps have a little advantage over his neighbour who would buy in 100 pound sacks?

Mr. LASHER: Bags cost us a little over 20 cents each; that is about \$4 per ton. That is the actual cost.

Mr. DANFORTH: Is this the normal discount that you would allow?

Mr. LASHER: We have to buy new jute bags, and they are running at about \$200 per thousand.

Mr. DANFORTH: If one were buying in bulk, then, this is the amount of discount you would allow? You would allow \$4 per ton? Or is the discount in excess of this figure?

Mr. LASHER: No, it is about that price. The reason for that is that the bulk trucks we have are rather expensive. For instance, one has to supply something to unload them, and that is generally an air unloader. A truck body of

that type costs about \$4,000 to \$5,000. Then it is necessary to have a unit which is working all the time and which costs about \$10,000 to \$12,000.

Mr. DANFORTH: I have one more question, Mr. Chairman, and then I will pass.

Mr. Lasher, I would like to ask you this question. I know that you shop around to get the very best price you can on whole grains—western grains, Ontario grains or United States grains. Do you shop around to the same extent when you buy your ingredients for concentrates, or do you deal specifically with one company such as Canada Packers?

Mr. LASHER: I deal with two companies. We have franchises with two companies.

Mr. DANFORTH: You are speaking of a franchise; does this mean that in this part of your business you must buy from either one of those two companies?

Mr. LASHER: Not necessarily, no. We can buy from other companies if we wish to do so, but we do not find it is worth while to do so. I handle stuff myself from Ralston Purina and Canada Packers.

Mr. DANFORTH: I wonder if this is a fair question, Mr. Lasher: Do you find, taking quality as a factor, that the price between those two companies is comparable? I understand that in the feed business the price of one may be a little higher than the price of the other, but I would like to know if they follow the same graph in decrease and increase in price?

Mr. LASHER: Yes, I would say so.

Mr. HOWE (*Wellington-Huron*): May I ask a supplementary question in connection with the word franchise?

The CHAIRMAN: Mr. Howe.

Mr. HOWE (*Wellington-Huron*): Mr. Lasher used the word "franchise". He said that he had a franchise with Canada Packers and Ralston Purina. Do you mean, Mr. Lasher, a franchise in the sense that those people will not sell to anyone else in the area?

Mr. LASHER: Yes, that is more or less the case.

Mr. HOWE (*Wellington-Huron*): They would not sell to any other dealer in your area?

Mr. LASHER: No, I do not think so. Well, perhaps they would sometimes. I would not say that was a hard and fast rule as far as these companies are concerned.

Mr. ASSELIN (*Richmond-Wolfe*): May I ask another supplementary question?

Mr. CHAIRMAN: Mr. Asselin.

Mr. ASSELIN (*Richmond-Wolfe*): You have mentioned buying new bags. Is it an Ontario law or regulation that you have to use new bags?

Mr. LASHER: I did not say that we have to use new bags; I gave you a price for the new bags. Sometimes the farmer will take them and then bring them back; and if he brings back his bags we refill them and sell the stuff at about the same price as we would sell it in bulk.

Mr. ASSELIN (*Richmond-Wolfe*): You are allowed to use old bags?

Mr. LASHER: Yes.

Mr. ASSELIN (*Richmond-Wolfe*): Will a farmer bring his old bags back? If so, do you put his meal into his bag and sell it without charging the cost of the bag?

Mr. LASHER: That is right.

Mr. ASSELIN (*Richmond-Wolfe*): This is often done?

Mr. LASHER: Yes, we do that all the time.

Mr. ROXBURGH: I have a supplementary question.

I was interested in the reference you made, Mr. Lasher, to United States corn being bought in preference to corn from southwestern Ontario.

Is there anything in the corn itself—forgetting the moisture content for the moment—that, if properly handled and graded would lead to any preference for United States corn? Is it a matter of proper grading or is it a case of having to truck it rather than bringing it by boat that leads to this preference?

Mr. LASHER: I think in a month's time the Ontario corn may be just as good as the United States corn. I think that is the only thing.

Mr. ROXBURGH: In other words then it comes actually to the proper grading and to the matter of price?

Mr. LASHER: It is a matter possibly of handling in western Ontario. The biggest trouble, you see is transportation. If you take it from away up in the Chatham area and get it down here in this area there is about \$10 or \$12 freight on it. Two years ago the United States corn came in more cheaply than the price at which we could buy it in western Ontario; it was cheaper by about \$3 or \$4 per ton.

Mr. ROXBURGH: In that case, it would be just a matter of production?

Mr. LASHER: That would be a matter of price and, I suppose, production.

Mr. MUIR (*Lisgar*): You spoke of buying your grain through an exchange. Where is this exchange located?

Mr. LASHER: It is the Winnipeg grain exchange.

Mr. MUIR (*Lisgar*): You buy it at whatever day to day price is quoted on the Winnipeg grain exchange?

Mr. LASHER: Yes.

Mr. MUIR (*Lisgar*): Do you have enough storage capacity to enable you to buy enough for a fairly long run through the season or do you have to buy it at regular intervals?

Mr. LASHER: At the present time in my mill I have insufficient storage. We can take around 25,000 to 30,000 bushels. The government at the present time is paying winter storage in eastern Ontario, as you probably know. We book our requirements now and we have already done it to bring it in to the Kingston elevator. I buy out of Kingston when I can because it is closer. The boats will come down there and unload shortly, and we will get what grain we want in there. We will buy what we want and store it there, and we can take it out as we want it until May, until the opening of the navigation season.

Mr. MUIR (*Lisgar*): In other words, the grain you do buy now will come down by lake rather than by rail.

Mr. LASHER: That is right.

Mr. MUIR (*Lisgar*): Do you buy this grain mixed before it is shipped from Fort William or do you buy separate grains?

Mr. LASHER: We buy all separate grains.

Mr. MUIR (*Lisgar*): Do you buy the feed grades of wheat?

Mr. LASHER: Number 5 wheat and lower is the only wheat we buy.

Mr. MUIR (*Lisgar*): You buy No. 5 wheat or lower?

Mr. LASHER: Yes.

Mr. MUIR (*Lisgar*): Then you buy wheat, oats and barley?

Mr. LASHER: That is right.

Mr. MUIR (*Lisgar*): And you grind it in your own mill?

Mr. LASHER: Yes.

Mr. MUIR (*Lisgar*): You mix the concentrates at the same time?

Mr. LASHER: Yes.

Mr. MUIR (*Lisgar*): In your mobile operation do you supply any more than just the concentrates to the farmer or do you sell any grain as well for mix?

Mr. LASHER: They generally want grain of another type mixed with it.

Mr. MUIR (*Lisgar*): Your mixing machine cuts up the hay and the grain altogether?

Mr. LASHER: Yes.

Mr. MUIR (*Lisgar*): And they want grain too?

Mr. LASHER: It is mostly grain that we do; we feed the hay just as it comes.

Mr. MUIR (*Lisgar*): Do you not mix concentrates as well?

Mr. LASHER: We mix concentrates and corn.

Mr. CARDIFF: What percentage of soy bean meal do you mix with concentrates for steers and cattle?

Mr. LASHER: I do not know offhand; it is not a very heavy percentage. I would say a couple of hundred pounds per ton would be the maximum, or maybe 100 pounds per ton.

Mr. MUIR (*Lisgar*): I have one or two more questions.

Do you ever purchase what is known as screenings in the west?

Mr. LASHER: Yes, we have done so but not very much in our area.

Mr. MUIR (*Lisgar*): Do you find the grades you buy are fairly constant?

Mr. LASHER: Number one screenings is a good feed and contains anywhere from 60 per cent to 75 per cent of broken wheat. The rest is generally wild buck. The price of screenings is just about as high as barley today. Our price on screenings is about the same price as on barley. Barley today would cost us around \$50 or a little more—\$51 in Kingston.

Mr. HORNER (*Acadia*): Fifty one dollars per ton?

Mr. LASHER: Per ton, yes. These are tonnage prices. Oats on a c.i.f. basis in Kingston would cost us \$48.

Mr. MUIR (*Lisgar*): What do screenings cost?

Mr. LASHER: I have not a figure here for the screenings but I think it is about the same price as for barley, maybe even a dollar more. Sometimes they are about a dollar more.

Mr. CARDIFF: What about corn?

Mr. LASHER: As I said, United States corn is about \$55 in Kingston, or it will be. No. 5 is the highest grade western wheat we can buy and we have to pay \$55 on a c.i.f. basis in the elevator, and then we have to pay for loading. Then we have to draw it out after that.

Mr. MUIR (*Lisgar*): I understand you pay \$51 per ton for barley and \$48 per ton for oats. What do you pay for No. 5 wheat?

Mr. LASHER: The price laid in our plant would be about \$65.

Mr. MUIR (*Lisgar*): For No. 5 wheat?

Mr. LASHER: Yes. You would have to add about \$3 on to the other prices for delivered prices. The prices I gave you are in-elevator prices. It would be about \$54.

Mr. HORNER (*Acadia*): That is delivered?

Mr. LASHER: This is the price delivered to our mill. The prices quoted generally are at the elevator. There is a difference, of course, which has to

be considered with regard to the distance of transportation. If you are hauling it by truck 75 miles from the elevator it is certainly going to cost more than hauling it 25 miles from the elevator.

Mr. MUIR (*Lisgar*): You are talking about the government elevator at Kingston?

Mr. LASHER: Yes, or any elevator. For anyone close to an elevator who has a very short haul it will cost only perhaps \$1 per ton to get it out.

Mr. MUIR (*Lisgar*): Do you feel there is insufficient storage in your area for the grain?

Mr. LASHER: No, I think there is plenty of storage.

Mr. MUIR (*Lisgar*): There is plenty of storage now?

Mr. LASHER: Yes.

(*Translation*)

Mr. MATTE: What is it mainly used for?

(*Text*)

Mr. LASHER: In our area the main use of grain at the present time is for dairy feed.

(*Translation*)

Mr. MATTE: Do you make considerable use of it for milk production?

(*Text*)

Mr. LASHER: The main use is for dairy feed and for some poultry, but not too much poultry now. It used to be heavy with poultry and hogs.

(*Translation*)

Mr. MATTE: Is grain much used in the milk production industry?

(*Text*)

Mr. LASHER: Yes, we use feed grains for dairy herds.

(*Translation*)

Mr. MATTE: Now, would you say there is a difference between the prices you generally charge to the farmer and the prices paid in Quebec, or paid by the farmer in Quebec?

(*Text*)

Mr. LASHER: I think the price in certain parts of Quebec might be a little higher, yes. In the Montreal area I think it would be the same price as our price because the freight subsidy is paid by areas, and the government freight subsidy is the same to Montreal as it to Napanee. Then, as you go east of Montreal, the freight rate assistance is higher I think. I do not know what the prices are in the maritimes, but I think in the maritimes the freight subsidy is as much as \$25 per ton. I do not know the figures exactly but I know the subsidy is very high.

(*Translation*)

Mr. MATTE: Is there much competition in respect of prices?

(*Text*)

Mr. LASHER: Yes, we have plenty of competition in price.

Mr. DANFORTH. May I ask a supplementary question? I think the matter that has been raised is very important to this committee. Would it be possible for this committee to get a comparison of prices at any specific date through Ontario, Quebec and the maritimes so that we know how much difference there is and can find out, as a committee, why there should be this difference?

The CHAIRMAN: Are you referring to prices?

Mr. DANFORTH: I am referring to prices paid by the feeders for specific types of feed. Is it possible for us as a committee to obtain this information on a chart? I think this question goes to the very root of the matter we are to consider.

The CHAIRMAN: I wonder, Mr. Danforth, whether the price that the feeders are required to pay is very helpful because there may be fluctuations from the merchants.

Mr. DANFORTH: This is what we want to find out. This is exactly what we want to find out. I think this question is very important to us as a committee. I know Mr. Lasher would furnish the prices that he is asking for his feed on any specific day or any specific week. I am correct in saying that, am I not, Mr. Lasher?

Mr. LASHER: Yes.

Mr. DANFORTH: If we were to take the basic feeds that the feeders are using for cattle, for dairy herds, for hogs and for poultry—four or five examples—and obtain this information clear across the area that we are studying—British Columbia, Ontario and the maritimes—we would have a picture before us as a committee.

The CHAIRMAN: If the committee is agreed Mr. Levesque, the clerk, and I will take this up with the department. I think the department is probably the best place from which to obtain comparable figures. I think it would be very difficult to get them from the merchants themselves. Mr. Lasher can give us the price he is asking for feed on any particular date, but it may be difficult to select merchants from all over Canada and get these prices for that particular day. It may be that this information is available from the department.

Mr. DANFORTH: I think perhaps the Federation of Agriculture or the union would be glad to supply these figures for us. I am not sure just what figures we would be able to get from the department; perhaps they would have only average figures. I would like to have specific figures paid by the farmers in these areas for any given time so we can compare them clear across the country.

Perhaps the steering committee would consider how these figures might be obtained if it is the wish of the committee to have them.

The CHAIRMAN: Yes, I think that is a good idea. Is the committee agreed that this be referred to the steering committee?

Agreed.

Mr. MATTE: Perhaps, we could make a survey in five, six or seven areas of each province in order to find out what are the prices in these different areas of each province and compare them.

The CHAIRMAN: Yes, the steering committee will take this under advisement and try to obtain this information.

Mr. HORNER (*Acadia*): Mr. Lasher, with regard to your business you suggested that it is cheaper for the farmer or the feeder if he buys in bulk. What percentage of your business would be done in bulk?

Mr. LASHER: Our percentage is low, but it is coming up all the time. It is a changing business now. The business is coming more and more into the bulk and large quantity sales field as the smaller farmers are going out of business and are being taken over.

Mr. HORNER (*Acadia*): This is happening all across Ontario?

Mr. LASHER: There are many small farmers here yet and there will be for quite some time I expect, but in comparison with ten years ago the number of small farmers is down by over half, I think. Perhaps I should not say half;

maybe that is not right, but it is down by 25 per cent or 30 per cent. For instance, there were many small poultry farmers in our area but now poultry is concentrated in larger businesses, men who have up to 100,000 or 200,000 hens in some cases.

Mr. HORNER (*Acadia*): The bigger feeder is buying in bulk?

Mr. LASHER: Those men are all buying in bulk.

Mr. HORNER (*Acadia*): You have mentioned the handling facilities for grain and you have mentioned a truck with an air movement. Surely grain augers are used to handle this.

Mr. LASHER: There are grain augers and they are cheaper, but in cases where it is necessary to put it up maybe 25 or 30 feet it is difficult to do it with augers unless the farmers have them built into their places.

Mr. HORNER (*Acadia*): With regard to grain augers versus air unloading machines, I will merely say that I do not think you will find very many air unloading machines in western Canada for handling grain. Most of it is being handled by auger of one type or another.

Mr. LASHER: The air unloading equipment is comparatively new and has been used in the last four or five years.

Mr. HORNER (*Acadia*): You suggested that barley was \$51 per ton in Kingston. This would be the same or a similar price in Montreal?

Mr. LASHER: For No. 1 feed it would be the same price in Montreal.

Mr. HORNER (*Acadia*): Would I be correct in saying that the wheat board asking price for this grain is about \$1.15 or \$1.19 or somewhere in that neighbourhood? I think there is evidence on the committee records to this effect already. Would you agree?

Mr. LASHER: I do not know because I have no chart in front of me.

Mr. HORNER (*Acadia*): It is in that neighbourhood?

The purpose of this committee was to inquire into all matters arising out of the difference between the prices received for feed grains by the prairie farmers and the prices paid by livestock feeders in eastern Canada. I am trying to arrive at that difference.

Mr. LASHER: As I understand it, in western Canada you receive an initial payment in Fort William for oats, for No. 1 feed, of about 55 cents for one hundred weight. Is that right?

Mr. HORNER (*Acadia*): Somewhere in that area.

Mr. LASHER: That is the initial payment, and for barley it is 87 cents per bushel.

Mr. HORNER (*Acadia*): This is the initial payment.

Mr. LASHER: Those are the top grades too.

Mr. HORNER (*Acadia*): But we have to concern ourselves with the final payment.

Mr. LASHER: The final payment is not figured out until one receives it about a year later. In 1962 I believe they paid an extra 12 cents on oats and 18 cents on barley and 37 cents on wheat. Is that right?

Mr. HORNER (*Acadia*): It would be in that neighbourhood, yes.

Your figures correspond with my thinking, and I just wanted you to confirm my thinking in this regard. You suggest that the initial payment for barley was 87 cents—and I am using barley as an example for no particular reason other than that it is a top feed grain—and there was a final payment of 18 cents. It looks as though it was about \$1.05 to the producer. Then, of course, you have to add the wheat board's handling cost and the grain elevator handling cost. The grain elevators take 4½ cents per bushel, I think, as a

handling charge. So I think I was perhaps right in saying that the wheat board asking price is about \$1.15 for barley. It varies from day to day, of course. This comes to about $2\frac{1}{4}$ cents per pound. \$51 per ton for barley at Kingston is about $2\frac{1}{2}$ cents per pound, or a shade over. Am I right in that figure?

Mr. LASHER: Yes.

Mr. HORNER (*Acadia*): So actually all this committee is inquiring into is a matter of that one quarter cent per pound—this is the difference. This committee is inquiring into the difference of prices received by the producer and paid by the livestock industry in eastern Canada; and your figures and the wheat board figures, as well as the returns from the farmers, give rise to a result of about a quarter cent per pound on barley. Surely for the movement of barley across approximately 2,000 miles that is not very much. Would you agree?

Mr. LASHER: That is right.

There is one thing that should be considered. When one is talking about the western farmer one must remember that these prices are paid at Fort William. That price is the price at Fort William and you have to pay the freight to Fort William.

Mr. HORNER (*Acadia*): Yes, these are the Fort William prices about which we are talking.

Mr. LASHER: Yes, so the western farmer does not get 87 cents plus 18 cents; he has to pay the freight.

Mr. HORNER (*Acadia*): Yes, the western farmer pays the freight to Fort William.

Mr. LASHER: And the western farmer who, again, is closer to Fort William is actually getting more for his grain.

Mr. HORNER (*Acadia*): Well, we want to see them get as much as possible.

Mr. LASHER: That is the point—if you are a long way away you have a higher freight rate. Or is that equalized?

Mr. HORNER (*Acadia*): We pay the freight on the farm machinery going west; we need a little more money in order to pay that!

I have one further question. You mentioned that you believe when you buy your grain in the following year it will come in by boat on the water. Right?

Mr. LASHER: We always have done that.

Mr. HORNER (*Acadia*): You always have done that?

Mr. LASHER: Yes.

Mr. HORNER (*Acadia*): And then your price remains constant throughout the winter because you have bought early?

Mr. LASHER: No, not necessarily. We follow the market. I think that is the general practice.

Mr. HORNER (*Acadia*): Therefore the idea of storing the winter grain does not matter?

Mr. LASHER: No, if we did not store it and did not bring it in by boat, if we were to bring it all by rail the price would be \$4, \$5 or \$6 per ton more. It is very important for feed companies to have the requirements or most of the requirements bought and stored in the elevators in the fall of the year even though they have to pay storage on it. It still paid us.

Mr. HORNER (*Acadia*): It still paid you—yes, of course it paid you.

Mr. LASHER: This is not a matter of any farmer or anything else; it is just a matter of the economics of bringing the grain down from Fort William. You can bring a boat load down for a third of the price of the rail, or less.

Mr. HORNER (*Acadia*): Actually the freight rate by boat from Fort William would be about \$4.50 per ton, would it?

Mr. LASHER: I do not know exactly what it is.

Mr. HORNER (*Acadia*): I think we have had some evidence before the committee to that effect. The freight subsidy on the grain would be over that. Actually, you are buying the grain at below Fort William prices in Kingston because of the freight subsidy. Would you think that would be about right?

Mr. LASHER: I do not understand your question.

Mr. HORNER (*Acadia*): I will put it in another way. Would the freight assistance cover the cost of moving the grain from Kingston to Fort William?

Mr. LASHER: I do not think so. I do not know for sure.

Mr. HORNER (*Acadia*): By boat?

Mr. LASHER: I do not know, but it does not make any difference whether it is by boat or rail; the freight subsidy is the same anyway.

Mr. HORNER (*Acadia*): Yes, I understand that, but you have now said that all grain will more than likely come down by boat because of the storage policy.

Mr. LASHER: Well, even in the past it came down by boat; but in the past we had to pay storage here for it. If we bought our grain in November at the end of the navigation season we had to pay storage from there on for all our requirements, but as it is set up now we do not have to do so. Therefore, they bring down enough grain to carry them through where possibly they would not before.

Mr. HORNER (*Acadia*): I am just trying to arrive at the difference and the reason for such a difference. We have the farmer in western Canada paying the freight on the grain to Fort William; we have the government paying the freight on the grain from Fort William, say, to Kingston or Toronto or Montreal. I think the freight subsidy pretty well covers it if it comes down by boat. If it comes down by train, of course, it does not.

Now we are led to believe that most of it will be coming down by boat, and you say this has been the case in the past.

I have one further question and I realize that we cannot arrive at a direct conclusion on this. In your business of feed mill operating do you sell most of your grain in a complete ration?

Mr. LASHER: We sell about half and half.

Mr. HORNER (*Acadia*): You say about half is just ground grain?

Mr. LASHER: We sell a lot of it just as whole grain. Quite often we sell carloads of whole grain. We have a few farmers who will buy full carloads.

Mr. HORNER (*Acadia*): And they would take delivery of the full carload?

Mr. LASHER: They would take delivery of the full carload.

Mr. HORNER (*Acadia*): Would it be harmful to your business in any way—and if it is do not give me the answer—to give us the mark-up on the grain you handle in that manner?

Mr. LASHER: We just take a brokerage fee on that, about half a dollar per ton, or something like that.

Mr. HORNER (*Acadia*): Could you give me the price? I imagine you put out from your feed mill operation what would be called a high protein ration—say 37 per cent protein, or something like that. Can you tell the committee what your price is on that type of ration?

Mr. LASHER: No, I do not even remember.

Mr. HORNER (*Acadia*): But you do put out such a ration?

Mr. LASHER: Well, we sell some; those are mostly high protein concentrates, but for ordinary feed we do not sell any of that.

Mr. HORNER (*Acadia*): It is not sold?

Mr. LASHER: No.

Mr. HORNER (*Acadia*): What would be the price of your concentrates? I am just trying to arrive at a comparison between the price of concentrates in eastern Canada and the price of concentrates in western Canada.

Mr. LASHER: What do you want to know? I do not know whether I can give you an accurate figure on that. What type of concentrate do you want to talk about?

Mr. HORNER (*Acadia*): A high protein concentrate.

Mr. LASHER: A dairy concentrate?

Mr. HORNER (*Acadia*): I was thinking primarily of a beef ration, but a dairy ration would be all right.

Mr. LASHER: I am not sure about this but I think the cost would be around the \$100 mark.

Mr. HORNER (*Acadia*): One hundred dollars per ton?

Mr. LASHER: Yes.

Mr. HORNER (*Acadia*): You speak of your cost. I wanted the price at which you sell it.

Mr. LASHER: We take our mark-up on it; it generally runs at about 15 per cent. I do not think anyone can operate at less than a 15 or 20 per cent profit margin.

Mr. HORNER (*Acadia*): You are operating at a profit, of course.

(Translation)

Mr. MATTE: I have a supplementary question, which is a rather personal one. What is the percentage of profit in your business?

(Text)

The CHAIRMAN: Do you mean on the mark-up?

Mr. LASHER: The percentage of profit?

The CHAIRMAN: Do you mean on the mark-up, Mr. Matte?

Mr. MATTE: Yes.

Mr. LASHER: There are different mark-ups. If you are selling something that is already processed that comes into the mill from some other firm, then the mark-up is not anywhere as high as on the product that we process ourselves. I suppose it would run at around 15 or 20 per cent; I do not know.

(Translation)

Mr. MATTE: What is the percentage of your profit at the end of the year?

(Text)

Mr. LASHER: I think I will not answer.

Mr. NOBLE: From listening to the discussions of this committee it seems to me that what we are trying to find out is how the western farmers continue to get the price they are getting and how the fellows in the east can get the feed at a cheaper rate. I am wondering if Mr. Lasher has any direction or any suggestion of ways and means to offer the committee by which he thinks he or other dealers might be able to supply the feed to the people in the east at a better price.

Mr. LASHER: I do not think, unless there is a difference in freight rates, that there is any way one will ever be able to get it for less. The freight rate seems to be the big factor. The difference in transportation between the west and here seems to be the big factor. That seems to be the big factor in the cost of grain at the present time.

Mr. NOBLE: Do you think there is enough competition to take care of any particular fluctuation in the prices between dealers so that the price would be fair right across the board?

Mr. LASHER: As far as dealers are concerned there is enough competition to hold the prices down; you do not need to worry about that.

Mr. ASSELIN (*Richmond-Wolfe*): How many feed merchants are there in your area?

Mr. LASHER: There are two at the present time, and in 1948 there were five; so that gives you an idea of the situation. In our area we had four mills in 1948 and the volume of business dollar-wise was around \$2 million in just the one small area, just in the one town. At the present time, with two mills operating, the volume is less than \$1 million although the grain price is about 25 per cent higher than it was in 1948.

Those figures will give you some idea of the drop in the amount of feed that is being bought by farmers in eastern Ontario; and I believe the position is the same in Quebec. It has dropped off.

Mr. MULLALLY: Mr. Lasher, you said you bought grain in the west from the Winnipeg grain exchange. Do you buy it from the company on the exchange? Can you tell us from whom you buy it, and give a little more information on that?

Mr. LASHER: We buy it from brokers in Toronto—Richardsons, Coatsworth & Cooper and Parrish & Heimbecker.

Mr. MULLALLY: Are they agents of the board?

Mr. LASHER: They had elevators and offices in the grain exchange in Winnipeg, and there are several of them.

Mr. MULLALLY: Do you buy from different ones?

Mr. LASHER: We always buy from different ones.

Mr. MULLALLY: And these are brokers who are on the Winnipeg grain exchange?

Mr. LASHER: They have seats on the exchange.

Mr. MULLALLY: You said that you booked your grain in the fall and paid for delivery from elevators in Kingston as you needed it. Do you pay for your grain when you book it? Is the price you have to pay set at that time or is it determined as you take delivery from the elevator?

Mr. LASHER: You can do it in two ways, you can put a price on it the day you buy it, if you want to, or you can hold it over and price it at a later date.

Mr. MULLALLY: What do you normally do?

Mr. LASHER: I do both; in other words price it if we think the price is right. If we think the market is going up we buy it then, or else we buy it later.

Mr. MULLALLY: I understand you think the price you paid for the grain is a fair price, consistent with what you think the west should get? Is that correct? Do you feel the price paid by the eastern feed mill operators such as yourself is a fair price, consistent with what you think is a fair return to the western producer? In other words, you feel the price paid the western producers is a fair and equitable price and no more than they should get?

Mr. HORNER (*The Battlefords*): It could be a little higher.

Mr. MULLALLY: I would like to know what you think.

Mr. LASHER: I do not think the price of the grain is any too high in the west but I do think that as far as that goes, from what the eastern farmer has to pay for it and for what he can sell the beef and the milk or whatever it happens to be, it is too high to make a profit.

Mr. MULLALLY: Are there cost factors that nobody can control which make it too high for the eastern feeders to buy and produce at a profit?

Mr. LASHER: That is right, at the present prices of beef and other commodities.

Mr. MULLALLY: Do you think the price that eastern feeders have to pay is too high? I would think you do, but do you think there are cost factors in there that can be eliminated?

Mr. LASHER: I think, as I said before, that the main factor is transportation, and unless there is a difference in the cost of transportation, I cannot see how there can be any difference because, when we are talking about mark-ups, you can take a look and see that competition holds that down to a pretty low level.

Mr. MULLALLY: Our inquiry was to inquire into matters related to the difference between the price received for feed grains by the producers and the price paid by the livestock feeders. Do you think that there is no exorbitant difference there, no difference that can be attributed to any factor that could be eliminated or is unfair?

Mr. LASHER: I do not think there is. A lot of people think back to the time ten years ago when labor was very cheap in comparison to what it is today. I believe at the time the freight subsidy was granted the government paid everything from Fort William straight across the border down to the maritimes. I think it was 50 cents a ton. They now still have the same amount of money but for instance the cost of bringing the commodities from Fort William by rail is \$16 a ton while at that time we could bring it down for \$5 a ton. The cost is moving up fast.

Mr. MULLALLY: Has the payment of storage costs during the winter period enabled you and other dealers to reduce your price, or has it been a contributing factor to any small reduction?

Mr. LASHER: Yes, it helps, but we take it into account when we price our grain.

Mr. MULLALLY: The national farmer's union have recommended the establishment of an eastern feed grain agency. Do you favour such an agency and what is your opinion of it?

Mr. LASHER: I do not know. I think the eastern farmer should be represented in some way.

Mr. MULLALLY: You mean have some organized body?

Mr. LASHER: Yes, because actually in the west, as I see it—Mr. Horner can correct me if I am wrong—they sell about two thirds of their grain to the Fort William elevator, or else they are allowed their quotas to go there but are free to feed the rest of it, and the feed mills in the west can buy that surplus, and then get practically the same price for the cattle as we get for it here, at least within a couple of dollars. Is that right?

Mr. HORNER (*The Battlefords*): Yes.

Mr. LASHER: So I think the eastern farmer is out of pocket on this. I may be wrong on this but I know definitely that mills in the west are buying grain for \$35 a ton from the farmer. They are buying it at about that price and processing it, while we have to pay \$14 or \$15 a ton more.

Mr. MULLALLY: Do you think feeders in eastern Canada would be advised to have some agency set up to supervise and assist them in the matter of feed grains? Do you think it would be of benefit to them?

Mr. LASHER: I think it would be a good idea. I think the price should be equalized to a certain point. It is obvious that the western farmer can feed cattle a lot cheaper than we can. I do not know how many of you men are western men.

Mr. CARDIFF: It does not make any difference, we have fed them for years.

Mr. MULLALLY: I have a final question. It relates to the deferred payment system which I do not profess to understand completely. How is that of benefit to you?

Mr. LASHER: Quite often the market will go up or down. If they get a lot of grain they cannot sell, then naturally the price drops. It is just a straight case of trying to foretell what is going to happen. The prices drop if there is a lot of grain that is not moving on the market, but when we have a lot of export business, as we had these last couple of years, there is not much chance of the price dropping.

Mr. HORNER (*Acadia*): I have one supplementary question which I would like to ask. You said the western feeder has an advantage. Do you not think he should have an advantage if he has the raw materials and the factory close at hand? By the factory I mean the livestock. You are talking about livestock feeding. He has the livestock and he has the raw material, or the grain, close at hand. Should not one living in the proximity of the raw material and the factory be in an advantageous position?

Mr. LASHER: I suppose he should, but on the other hand you have to look at it, I think, in respect of the over-all country. You can raise all the stuff for Canada, but you cannot consume it.

The CHAIRMAN: Gentlemen, with respect, I am going to pass on to Mr. Olson. Mr. Horner, you have had considerable time this morning. I have your name and when the second turn comes around, if the committee is still here you will have another opportunity.

Mr. HORNER (*Acadia*): I would like to point out that while we may have the advantage of being closer to the raw materials, we have a disadvantage because we are a long piece away from the population which is the consumer. We suffer when we go to the market with three cents on beef and two cents on hogs.

Mr. OLSON: I was interested in your statement that you buy from the Kingston elevator whenever you can. Do you mean that you only draw supplies of grain from this elevator that you have contracted for earlier?

Mr. LASHER: Yes.

Mr. OLSON: There is no storage of grain that you can buy on a day-to-day basis from the elevator?

Mr. LASHER: Not unless some broker wants to buy it and put it down there and take a chance on selling it. There are no government stocks; in other words, there are no stocks that the wheat board owns there.

Mr. OLSON: If you contracted for a certain volume of grain out of your elevator, say in October, and committed yourself to a price, there would be no fluctuation at all?

Mr. LASHER: That is right.

Mr. OLSON: There would be no fluctuation in your price from October, say, until April?

Mr. LASHER: Whether it goes up or down you have to take it. If we buy too much grain, then we are affected because we have too much and take a loss on it. I have had that happen. I remember one year we bought it and it went down \$10 a ton. It cost us \$4,000.

Mr. OLSON: In respect of both wholesale and retail on prepared feeds, and whole grain, that you sell, do you take into consideration what you have paid for this grain when you contract for it in the fall, or do you adjust your prices according to the market?

Mr. LASHER: We adjust our prices according to the market.

Mr. OLSON: What factors affect the market price, say, between the month of October and the month of April; is it mostly because of a change in the offering price of the Canadian wheat board?

Mr. LASHER: I think so.

Mr. OLSON: In other words, there would not be any change in the price unless the Canadian wheat board changed its offering price on the Winnipeg grain exchange?

Mr. LASHER: Yes; they pretty well control the price.

Mr. OLSON: But it wouldn't control what you sell it for?

Mr. LASHER: No, but our mark-up is about the same. As soon as it goes down, we put it down, or as soon as it goes up, we put it up.

Mr. OLSON: Is there a very wide fluctuation between this offering price of the Canadian wheat board between March and April and any given feeding season?

Mr. LASHER: There was one time I bought the stuff and lost \$10 a ton. I lost \$4,000 on what I could not use.

Mr. OLSON: In a case like that, then, the eastern feeder would have paid actually less for his grain in April than he would have in October?

Mr. LASHER: That is right. We sell off the market, but if we think it is a good buy, we will buy it. I suppose it is the same as buying stocks or anything else.

Mr. OLSON: We have been led to believe there has been a fairly constant upswing in the price during the feeding season, starting in the fall, and that the feeders in eastern Canada fairly consistently have to pay a higher price for the feed being used at the end of the feeding season, which could be perhaps April or May. Is this true?

Mr. LASHER: It is not necessarily true. There is a difference, possibly, in the cost of hauling grain. You have to add interest to your cost of hauling grain in the eastern area. You cannot very well get away from that.

Mr. OLSON: I appreciate that; but now the government is paying the winter storage costs, there should be no reason that the grain should be higher to the feeder, or that the prepared feed should be higher at the end of his feeding season than when he first went into feeding of cattle in the fall.

Mr. LASHER: Grain is like everything else; on the market there is the matter of supply and demand. If the wheat board shoves the price down, we have to go with that price for anything that has not been bought, or if it goes up, we go to that price.

Mr. OLSON: What I am trying to get at is that certain contentions have been made before this committee and in the House of Commons that from time to time there is a fairly constant increase in the price of feed to the eastern feeder between the prices at which he can obtain his grain in the fall and what he has to pay for it in the spring because of the St. Lawrence seaway being frozen over. According to some of the information you have given us, this in fact does not happen; in fact you have pointed out that there are years when you have sold it cheaper in the spring in spite of the seaway being closed all winter; that is, you have sold it cheaper than what you were getting for it in the fall.

Mr. LASHER: I do not think that holds true. It has for maybe the last two or three years, but I have seen it the other way, too. I have bought grain and priced part of it now, and we are hopeful, but we think it may drop off two or three dollars a ton; I may be wrong, I do not know. However, that is strictly a wheat board situation. If their price goes down, we will buy it at the downward price, so, therefore, as far as farmers are concerned, or anyone else, in buying grain in the wintertime it is strictly at market value at that time.

There is only one other thing that could affect the price of grain in the wintertime, and that is mill feeds, brans, and such things like that. We buy a large quantity of bran, and such things, and put them in. You could not sell them or even give them away to the farmer, say, in August, and that is something you cannot store; the small mills cannot store it. At certain times of the year it becomes pretty cheap, down around the \$40 mark, delivered to us, but it can reach the \$60 mark, which it did last year. Farmers in these areas want to use brans and things like that for mixing in the dairy feed. In the wintertime while the mills are not milling flour, there is not much being produced and the demand is high.

Mr. OLSON: Should we take an example. For example, we have been told there was a significant increase in the price of oats in March over what it was selling for in October of 1963. Is it your experience that because of the market you were required to charge your customers a substantially higher price in March and April of 1964 than you were asking in September and October of 1963?

Mr. LASHER: I cannot remember what the prices were.

Mr. OLSON: If there had been a very significant increase you would probably recall, would you not?

Mr. LASHER: I do not think it was that much actually. It might have been \$5 per ton or so. I do not remember. There might have been a \$5 increase; I could not say for sure. I know that the same grain last year at this time, taking barley for instance, was \$6 less than it is now.

Mr. OLSON: And this is because of the increased price the farmer is asking?

Mr. LASHER: That is right.

Mr. OLSON: There is no other factor involved? Is there anything else—for example, additives, high protein mixes, minerals, vitamins and so on? Is this generally sold at a consistent price throughout the year, or do you pay less for it in September and October than you do in April and March?

Mr. LASHER: To give you an idea what happens on the market I can tell you that I bought soybean meal in 1962 at—if I can remember the price correctly—about \$60 per ton and in 1963 I paid \$100 per ton for it. That is a \$40 difference in one year. Those figures may not be quite within a dollar, but they are close.

Mr. OLSON: I have just one other question. I would like to make a comment here and say that it seems to me that some of the opinions that have been expressed in this committee and in the House of Commons recently about this consistent increase in price from the fall of the year to the spring of the year is simply without foundation. It seems to me also that the committee will have to delve into this a little more deeply and try to find out if there is some person such as Mr. Lasher who is right on the scene dealing with the feeders and can give us this information. Otherwise we will have to discount some of these contentions.

There is just one other point I would like to clear up. You say there are some western mills that were able to buy barley at something around \$35 per ton and you had to pay \$51 plus \$3 per ton into your mills. Would you not agree that there is very little barley being sold to the western mills at

\$30 to \$35 per ton, and that whatever is sold is bought outside the wheat board at what may be termed distressed prices because they have no quota to deliver it.

Mr. LASHER: They have no quota to deliver it. I do not know what the volume is, but I do not imagine the people who have the grain on their farms are too anxious to hold it.

Mr. OLSON: You were not suggesting that the Canadian wheat board does in fact sell this barley to western mills at this price?

Mr. LASHER: They do not handle it at all.

Mr. JORGENSEN: You mentioned, Mr. Lasher, that you felt that the western farmer had an unfair advantage over his eastern counterpart because he was able to buy western feed grains at a lower price. You admit, however, that the western farmer pays the freight on that feed grain going into eastern Canada as far as Fort William. Surely you are not suggesting that, in order to keep the comparative competitive positions equal, the western farmer pays freight to Fort William on grain he uses in western Canada.

Mr. LASHER: No, as a matter of fact when Mr. Horner was talking about that I was trying to point out that a western farmer has to pay 25 cents to Fort William and therefore his profit is cut down. I was not suggesting that the western farmer was getting more or anything else; I was just stating the difference in the positions between our eastern farmers as compared to the men out west.

Mr. OLSON: But you said it was a competitive advantage.

Mr. LASHER: That is right.

Mr. OLSON: I was wanting to pinpoint this advantage. Since the eastern farmer has the freight on his grain paid by the western farmer to Fort William and from that point on it is paid by the people of Canada, I wonder if you can tell me what percentage of the total cost of lake freight is paid by the freight subsidies, say into Toronto.

Mr. LASHER: I do not know.

Mr. OTTO: Would it cover practically all the freight from Fort William to, say, the port at Kingston?

Mr. LASHER: Mr. Horner seemed to think it did; I do not know.

Mr. HORNER (*Acadia*): Yes, we had that evidence on the committee last fall. The witness informed us that there is \$4 freight on grain from the lake-head to Toronto.

The CHAIRMAN: It is a matter of evidence, Mr. Horner.

Mr. JORGENSEN: As a matter of fact, one of the witnesses before this committee indicated that the freight subsidy from Fort William east covered more than the actual lake freight from Fort William.

Mr. PETERS: Then why are you asking the question? Why do you ask the question of the witness if you know the answer?

Mr. JORGENSEN: I am trying to pursue this point. He said there was an advantage and I wanted to pinpoint it. I think it would be of interest to the committee to know where the competitive advantage exists.

Mr. LASHER: I think the competitive advantage exists in that the western farmer has more wheat than he can deliver to the wheat board, and consequently he wants to get it off his farms and get his cash any way he can. Consequently, he is able to sell it to mills, and the mills in turn sell it to feeders. Consequently they can sell all that surplus that they can deliver at a considerably lower price. We have not the supplies here in eastern Canada that we can draw on in such a manner. Our farmers do not grow enough grain here,

generally speaking, to handle their requirements. I do not think there are too many eastern farmers who do. They buy a tremendous amount of western grain.

Mr. JORGENSEN: I was simply trying to find out where the advantages lie.

Mr. LASHER: That is where they lie—not through the wheat board.

Mr. JORGENSEN: You mentioned earlier that transportation was the big factor and I was trying to find out whether it really was.

Mr. LASHER: We have to buy all our supplies from the wheat board, as far as that goes.

Mr. JORGENSEN: But you do not quite follow my reasoning. I am suggesting to you that the freight is paid to Fort William by the western farmer and from Fort William onwards by the people of Canada. So where does the cost of transportation enter the picture? We are interested in determining, as has been pointed out earlier, where this difference between the cost to producers in western Canada and price to feeders in eastern Canada actually comes into the picture. You suggested earlier that it came into the picture in transportation.

Mr. LASHER: I was asked if there was any way in which the price could be brought down, and I said that the main place from which one could get a price saving was in transportation.

Mr. JORGENSEN: But transport is paid all the way down the line. Therefore I am wondering where it enters the picture.

You said you bought the bulk of your supplies—and that you always have—prior to the close of navigation and attempted to get your supplies into position at the eastern ports prior to the close of navigation so that you could take advantage of the lower lake freight rates. Is this not right?

Mr. LASHER: Yes.

Mr. JORGENSEN: And you also mentioned earlier that the prices of your finished product invariably followed a pattern which corresponded with a fluctuation in the prices on the Canadian wheat board weekly quotations. Does that include freight?

What I am driving at is this. At the close of navigation when the lake freight rates no longer apply and when the rail freight rates begin to apply do you also add the rail freight to your final price?

Mr. LASHER: No.

Mr. JORGENSEN: That is not included?

Mr. LASHER: No.

Mr. JORGENSEN: In other words, you continue to use the lake freight actual price that you pay?

Mr. LASHER: That is right.

Mr. JORGENSEN: You said that the fluctuations in the price in eastern Canada bore a very close resemblance to the Canadian wheat board quotations. How do you account for the fact that, according to information that I have received in the case of oats, fluctuations from August to April were but two cents a bushel or a little over two cents a bushel. That was the complete fluctuation from August at the beginning of the crop year to the following April, and yet the price that a feed mill in eastern Canada was charging varied as much as 28 cents.

Mr. LASHER: There is a good chance that the operator of the feed mill—I do not know who you are talking about—had to take it down by rail. Maybe he did not buy enough stuff. If he had to bring it down by rail, it would cost him \$10 a ton more.

Mr. JORGENSEN: I quite understand that.

Mr. LASHER: I do not know why there would be that difference.

Mr. JORGENSEN: According to my figures the mill price, say on oats, was \$2.30 in August, that is \$2.30 a hundred. Now the close of navigation has not begun in October; the navigation season extends somewhat beyond that. This price was set then, whereas the wheat board's price during that same period had advanced about two cents a bushel. I was wondering if you could account for that.

Mr. LASHER: Do you mean August of this year?

Mr. JORGENSEN: August 1963 to October 1963.

Mr. LASHER: They must have changed the price of grain.

Mr. JORGENSEN: What were the factors involved? What would you imagine would be the reason for this rather violent fluctuation as compared to the rather stable price quoted by the Canadian wheat board?

Mr. LASHER: I do not know what the price of the wheat board is. I know there is a difference. Last year there was a greater difference than that in our cost. Where did you get your figures?

Mr. JORGENSEN: I am not suggesting the price does not vary. It varies according to demand. As you said, supply and demand do enter into the picture, and I agree with that, but this particular year, in the weekly average quotations there was not more than a variation of two cents a bushel from August to April but there was considerably more variation in the final price paid by the producers of livestock in eastern Canada.

Mr. LASHER: Where did you get your figures from, was it the wheat board?

Mr. JORGENSEN: From the Canadian wheat board report.

Mr. LASHER: Is that the price they are asking from the dealers or for selling the grain for export?

Mr. JORGENSEN: This is the price basis at Fort William which is available to anybody who wishes to purchase at that price.

Mr. LASHER: Are you quoting from the *Globe and Mail*?

Mr. JORGENSEN: No, from the Canadian wheat board report, the average weekly quotations.

Mr. LASHER: There is a difference in the cash spread depending on when the grain is available. We buy from the Winnipeg grain exchange, and sometimes the spread is higher than it is at other times.

Mr. OLSON: Do you pay a different price than the price of the Canadian wheat board for export of feed grains?

Mr. LASHER: Yes. I do not know what the prices are because they sell at every price.

Mr. OLSON: Are you suggesting that the offer from the Canadian wheat board to the mills in eastern Canada is different from the price they offer for export?

Mr. LASHER: I do not know. I am not suggesting it.

Mr. JORGENSEN: Do you buy through a broker?

Mr. LASHER: Yes.

Mr. JORGENSEN: You do not have a seat on the Winnipeg grain exchange so you have no knowledge of what the broker does. In that case we have to get a broker down here to find out.

Mr. WATSON (*Assiniboia*): Mr. Lasher, I believe you mentioned that the capacity of your elevator was 25,000 bushels. What would be your volume in bushels in a year?

Mr. LASHER: I do not know.

Mr. WATSON (*Assiniboia*): What is it approximately? The point I am getting at is that I want to find out, in terms of the size of your mill, what your turnover would be in a year.

Mr. LASHER: I would think we could use about 150,000 bushels. I am not certain of the figure. It might be higher than that.

Mr. WATSON (*Assiniboia*): You would be buying so much at certain times of the year in order to make this turnover? If you have a 25,000 bushel capacity you have not got a big enough operation to buy a big supply at a certain time of the year when the price was possibly low.

Mr. LASHER: I can buy anything I think I need. I can buy it and put it into the elevator. I do not have to buy a boat load because when they come down they split up.

Mr. WATSON (*Assiniboia*): You mentioned previously that you also sold to smaller dealers. What ratio of volume would be sold to smaller dealers as compared to individual feeders and farmers?

Mr. LASHER: We handle maybe 20 or 30 thousand bushels that way.

Mr. WATSON (*Assiniboia*): So then it is a small part of your operation? Previously you mentioned you were buying Ontario corn on account of the rate difference. You also mentioned that the moisture content was higher in Canadian corn. When you are buying feed grains, do you look at the protein value of the U.S. corn as compared to Ontario corn in relation to what the protein content would be on, say, number 5 wheat from western Canada?

Mr. LASHER: No. It is an entirely different ingredient anyway.

Mr. WATSON (*Assiniboia*): In other words, it is strictly a price factor which governs where or what you are buying?

Mr. LASHER: There is very little difference between Canadian and U.S. corn. Ontario soft wheat or western No. 5 wheat, which is the wheat we buy, is another factor because Ontario wheat is lower in protein and we have to take that into consideration when we are mixing.

Mr. WATSON (*Assiniboia*): You also mentioned, in relation to barley, that it was costing you I believe \$51 a ton. How would this be if No. 5 wheat was available? Is there a market for this or would they prefer wheat to barley if the price ratio was possibly the same?

Mr. LASHER: Wheat and corn are almost comparable as far as the cattle feeder is concerned. The feeding value is almost the same. Wheat is slightly below corn, for instance, for steer feeds. By the time we get western wheat down here it is so much higher than Canadian corn or U.S. corn that it is not possible to buy any. It is \$7 or \$8 higher than U.S. corn and \$10 higher than western Ontario corn. You see, the cost of bringing in wheat here is almost prohibitive—even the western feeding wheat, the No. 5 wheat.

Mr. WATSON (*Assiniboia*): I would like to revert to the point Mr. Jorgenson and I believe another member made about the relationship that you brought out between the western farmer or feeder as against the eastern farmer or feeder, the westerner being in an advantageous position because of the fact that feeds are right there. My thinking at that time was that possibly you were under the impression that most of the feeders bought from mills in western Canada. Is this what you believe?

Mr. LASHER: Not necessarily, no. I know they do not.

Mr. WATSON (*Assiniboia*): I think it should be pointed out that 80 or 90 per cent of the grain that is grown out there is fed by the man who produces it. The biggest percentage of the feeders who are feeding grow their own feed. I think it would be wrong to give the idea that we were buying from mills or producers like yourself.

Mr. LASHER: But there must be quite a few. I do not know, however, so I will not comment on that.

I do know that there are some mills out there, quite a lot of them. Quite a lot of new mills were built last year in the western provinces. A lot of money has been spent there on new mills.

Mr. JORGENSEN: Do you not think this is because there is a new awareness of the value of feed mills mixing for the farmer? They are now very conscious of the advantages of properly mixed ration, are they not?

Mr. LASHER: Yes, I think so.

Mr. PETERS: You must find as you get on in the feeding season that credit problems increase—problems both of your own credit and the farmers credit. I know of co-operatives that have found themselves in grave difficulty in this regard.

How much of your mark-up is worked on the basis of an over-all operation and how much would be a reflection of the bank credits or farm credit you would have to carry?

Mr. LASHER: In our business we carry a lot of credit. In a lot of cases—particularly this year—we are having difficulty in getting in our accounts; although I must say that I have never lost much money in my business.

Mr. PETERS: But it does become a cost factor?

Mr. LASHER: It does become a real cost factor.

Mr. PETERS: How do you introduce this?

Mr. LASHER: We charge interest on the account in the month after it is past due.

One thing that I have often thought should be considered here in this committee is that a number of farmers seem to be in difficulty at certain times in paying for their feed, and particularly this year when there has been a drought in this area and all the eastern parts of Canada. There is a lot of beef that has to go on the market unfinished, and farmers are forced to sell because they cannot borrow enough money to feed and finish the beef.

Mr. PETERS: In your business does the price per ton of grain include a reflection of the borrowings you must make from the bank?

Mr. LASHER: No. If we carry anything we charge the customer.

Mr. PETERS: It is a charge to the customer?

Mr. LASHER: It is a direct charge to the customer concerned, so we do not include this factor in the charge to anyone else.

Mr. PETERS: We have heard suggestions for establishing a board. Fluctuations do take place, not necessarily in the wheat board price but in the brokerage price on the buying that you may do in the fall and when you are paying or setting a price at a given time during the consumption period.

Is it your opinion that it would be advantageous to set up a purchasing board in eastern Canada similar to the wheat board but dealing with a producer's market rather than with a consumer's market? If such a board, in negotiation with the wheat board, were to purchase in large enough quantities—just as the Russians would buy in large quantities—and not necessarily take delivery, would this tend to stabilize the price as far as the retail trade is concerned?

Mr. LASHER: I suppose it would, yes.

Mr. PETERS: Do you consider there would be a stabilizing effect if one did not have to buy from the brokers?

Mr. LASHER: I do not think so.

Mr. PETERS: Would it mean that a basic price across Canada could be established for all barley, let us say, to be consumed in eastern Canada for a given year? Would this not eliminate some of the fluctuations that take place?

Mr. HORNER (*Acadia*): May I ask a supplementary question?

The CHAIRMAN: Let the witness answer, please.

Mr. LASHER: I cannot see how it would work.

Mr. PETERS: What pitfalls would there be?

Mr. LASHER: I do not see how it could work as long as one has grain selling at different prices. I cannot see that there is much difference whether the grain goes through a broker or through a board.

Mr. PETERS: Except for cases of committed sale with delivery date postponed, as in the case of Russia buying very large quantities of Canadian No. 5 wheat from the wheat board. In such cases the sale price would not change once it was established. You say your prices fluctuate in some things as much as \$10 per ton per year?

Mr. LASHER: Yes.

Mr. PETERS: Last year there were merchants in this area who, in a six month period, were raising the prices by as much as \$12. Would a board such as the one suggested not eliminate that fluctuation? I am not suggesting it would provide a lower price to the retailer or the wholesaler, but would it not effect a stabilized price?

Mr. LASHER: I suppose it would.

Mr. JORGENSEN: Is it not possible for you to do that right now, just as the Russians did? Is it not possible to buy a quantity of grain right now in the fall and commit it over a year?

Mr. LASHER: As I told you, we already have bought some.

Mr. PETERS: But, as I understand it, you buy at that price. Another feed mill even in the same town will buy at a different price, and if they do not take advantage of buying until the brokerage price goes up on the grain exchange the price may rise in the grain exchange, and then his mark-up remains the same and his selling price increases to the farmer. At the same time, since you set your prices on a competitive basis, your price will go up also.

In other words, is it not true that the farmer is to some extent always a victim of the highest price in the whole circuit?

Mr. LASHER: I do not think so. I think the farmers get the same advantage to buy as we get as far as that goes. I could give you an instance of a year ago when I bought grain at a price of \$44 per ton, if I remember correctly, or \$42 a ton. I bought it in July and contracted for delivery in November. I bought it at \$42 per ton—to give you a tonnage price—and by the time it came in in November it was \$48 per ton. Perhaps my next door neighbour did not buy it, but I took a chance and bought it.

That is simply a case of going in and taking a chance. The farmer could have bought it from me if he had wanted to do so. As a matter of fact, I did sell to two or three farmers; I sold to three farmers in my area at an advantage of \$5 per ton.

Mr. PETERS: You know that most grocers in a municipality will send their men to price in the other stores. Quite often there is not much relationship between the purchasing prices, but the price to the customer depends on what the competitive price in the area may be. Sometimes it is higher and sometimes it is lower. Sometimes they lose and sometimes they gain. They usually keep track of what the other store is charging. Is this done in the feed business?

Mr. LASHER: I do not think so. I do not think it is done too much, no. I think it is based mostly on markets and the cost price at the time.

Mr. ALKENBRACK: Mr. Chairman, I have just a couple of questions I would like to put to the witness.

I was impressed by the fact that the witness has voluntarily stated that it is in the interests of his own business to make use of the water route and storage of grain at the closest elevator, being the Kingston elevator. In the past this committee has several times discussed the lack of western grain brought down by boat for the long period of winter feeding. The lack of this grain during that crucial period has been mostly reflected in Quebec, I believe.

I would like to ask the witness if the dealers in Quebec could not take advantage of the deal of which you are taking advantage in order to supply the customers through the winter at a more or less stabilized price.

Mr. LASHER: I think it is the same in Quebec; I think they can. The only thing is that a dealer is liable for the grain, and quite often he is hesitant to book more grain than he needs in case he is unable to sell it.

Mr. ALKENBRACK: Would you say it is the lack of desire or enterprise on the part of some feed dealers to make the investment and to read the future requirements of their customers that causes this situation?

Mr. LASHER: I do not think so. I think the dealers may be a little reluctant to take a chance on it in case they are unable to sell it. Because if they buy too much and have a surplus which they are unable to sell, it is possible that when the new grain comes in at the beginning of the navigation season it may be about \$5 per ton less than the grain they have stored and therefore they have to withstand that loss.

Mr. ALKENBRACK: A dealer must have ample capital? Is that true?

Mr. LASHER: The dealer has to be an established dealer before he can buy; he has to have a credit rating.

Mr. ALKENBRACK: I was impressed by the witness's mention of the fact that many feeders in eastern Canada, particularly right here in eastern Ontario, because of circumstances beyond their control, even beyond the control of the government are in a precarious position owing to the dryness of the feeds and so on.

We have pointed out to the Minister of Agriculture in the house the precarious position of these feeders but without avail and so far without any action on the part of the government. Would the witness have any recommendation in the line of relief for certain legitimate eligible feeders in order to save them from bankruptcy?

Mr. LASHER: I believe that something should be done in connection with agriculture, something a little more than they are doing at the present time, to allow credit to be available for farmers who may possibly have assets in their cattle but cannot borrow enough money from the bank to keep them for a short period of time such as six months to a year.

Mr. ALKENBRACK: Do some of these feeders borrow money from the bank for their cattle?

Mr. LASHER: Quite a number. In our area they have borrowed money but not to the extent of the assets they have. For instance, a man may have a hundred head of cattle and even at \$100 a piece maybe he can only borrow \$300. If he has borrowed enough money to feed this cattle, the difference between the price he could get on the finished product and the price he could get on the unfinished product or stock, if he had to sell it, would be a matter of 4 cents a pound. If he were able to borrow enough money to buy feed to bring them into the top category, even if the gain he got from the grain only paid for the grain, he would still gain about 4 cents a pound on, say, a 1,000 pound animal, which would give him \$40.

Mr. ALKENBRACK: Would a loan to people in that category save them from bankruptcy?

Mr. LASHER: My feeling is it would be far better to lend money than it would be for them in certain cases to buy the extra machinery which they are buying. Machinery is easy to buy and hard to pay for.

Mr. ALKENBRACK: Lastly, I want to ask the witness this question. After 25 years' experience in running a feed business I suppose one develops a very sharp judgment, and I am sure the witness has become a good judge of the prices of grain day to day and season to season. Now, in respect of the day to day and season to season application of that judgment, are the farm prices for milk, hogs, beef, chickens, eggs and so on, which this feed produces, high enough in comparison with the grain and the feed that goes into them? Would you say that farm prices are high enough in comparison?

Mr. LASHER: I do not think they are in most of the things today, particularly with feeding in the east.

The CHAIRMAN: I think we have concluded with the first round of witnesses. Mr. Horner had a supplementary question before we conclude.

Mr. HORNER (*Acadia*): Are you ready to adjourn, Mr. Chairman?

The CHAIRMAN: I think we are ready, but you had a supplementary question.

Mr. HORNER (*Acadia*): I am agreeable to dropping my question, Mr. Chairman. The witness has been a very very good one and has answered all my questions very well, for which I am grateful.

Mr. CARDIFF: May I move a motion of thanks to the witness for being such a good one.

Some hon. MEMBERS: Hear, hear.

The CHAIRMAN: Thank you very much.

APPENDIX I

REALIZED NET INCOME OF FARM OPERATORS FROM FARMING OPERATIONS, CANADA¹, BY PROVINCE, 1961-1963

Year	Prince Edward Island	Nova Scotia	New Brunswick	Quebec	Ontario
1961	6,669	14,659	13,084	186,405	325,844
1962	7,157	13,557	12,840	195,411	353,838
1963	7,318	11,412	12,236	190,637	389,310

Year	Manitoba	Saskatchewan	Alberta	British Columbia	Canada
1961	119,309	343,952	279,852	57,890	1,347,664
1962	123,331	413,910	301,804	68,885	1,490,733
1963	124,349	372,979	238,731	63,199	1,410,171

¹Excluding Newfoundland.

Source: *Quarterly Bulletin of Agricultural Statistics*, January-March 1964 (DBS, Agriculture Division).

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HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964

STANDING COMMITTEE

ON

Agriculture and Colonization

Chairman: RUSSELL C. HONEY, *Esq.*

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 12

Respecting

PRICES OF FEED GRAINS

THURSDAY, NOVEMBER 19, 1964

WITNESSES:

From the Grain and Grain Products Section, Metro Toronto Board of Trade: Mr. R. M. Armstrong, Chairman, Mr. J. C. Macdonald, Vice-Chairman. *From Ontario Elevators Association:* Mr. C. S. McLaren, President, Mr. J. A. Irvine, Past-President, Mr. W. D. Thompson, Director. *From the Ontario Retail Feed Dealers Association:* Mr. S. C. Hall, President, Mr. B. C. Craig, Vice-President, Mr. E. J. Stiver, Past-President and Mr. M. H. McPhail Exec. Vice-President.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1964

STANDING COMMITTEE
ON
AGRICULTURE AND COLONIZATION
(*Chairman:*) RUSSELL C. HONEY, *Esq.*
(*Vice-Chairman:*) PATRICK T. ASSELIN, *Esq.*
and Messrs.

Alkenbrack,	Forgie,	McIntosh,
Armstrong,	Gauthier,	Muir (<i>Lisgar</i>),
Barnett,	Gendron,	Mullally,
Béchar, d,	Groos,	Nasserdén,
Beer,	Gundlock,	Noble,
Berger,	Horner (<i>Acadia</i>),	O'Keefe,
Brown,	Howe (<i>Wellington-</i>	Olson,
Cardiff,	<i>Huron</i>),	Peters,
Choquette,	Jorgenson,	Rochon,
Cooper,	Kelly,	Roxburgh,
Crossman,	Konantz (<i>Mrs.</i>),	Southam,
Cyr,	Korchinski,	Tardif,
Danforth,	Langlois,	Temple,
Dionne,	Laverdière,	Vincent,
Doucett,	Lessard (<i>Lac-Saint-</i>	Watson (<i>Assiniboia</i>),
Drouin,	<i>Jean</i>),	Watson (<i>Châteauguay-</i>
Émard,	Madill,	<i>Huntingdon-</i>
Éthier,	Mandziuk,	<i>Laprairie</i>),
Fairweather,	Mather,	Webb,
Forbes,	Matte,	Whelan—60.
Forest,	McBain,	

Quorum 20

D. E. Levesque,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

THURSDAY, November 19, 1964.

(15)

The Standing Committee on Agriculture and Colonization met this day at 10:25 o'clock a.m. The Chairman, Mr. Russell C. Honey, presided.

Members present: Messrs. Armstrong, Beer, Brown, Choquette, Cooper, Crossman, Cyr, Danforth, Dionne, Doucett, Drouin, Forest, Honey, Horner (*Acadia*), Jorgenson, Mandziuk, Matte, McBain, Mullally, O'Keefe, Peters, Roxburgh, Watson (*Assiniboia*), Webb and Whelan (25).

Witnesses: *From the Grain Products Section, Metro Toronto Board of Trade:* Mr. R. M. Armstrong, Chairman, and Mr. J. C. Macdonald, Vice-Chairman; *From the Ontario Elevators Association:* Mr. C. S. McLaren, President, Mr. J. A. Irvine, Past-President, and Mr. W. D. Thompson, Director; *From the Ontario Retail Feed Dealers Association:* Mr. S. C. Hall, President, Mr. B. C. Craig, Vice-President, Mr. E. J. Stiver, Past-President, and Mr. M. H. McPhail, Executive Vice-President.

In attendance: *From the Department of Forestry:* Mr. Benoit Lavigne, Director of Eastern Feed Grains; *From the Department of Agriculture:* Mr. C. R. Phillips, Program Co-Ordinator.

The Chairman introduced the witnesses; then Mr. McPhail made a brief address to the Committee, and presented their brief.

The Committee proceeded to the examination of the witnesses.

It was *agreed* that a table produced by Mr. McPhail entitled "Storage Capacity of County Elevators" be appended to the evidence (*See Appendix 1*).

The questioning of the witnesses being concluded, Mr. Doucett moved, seconded by Mr. Danforth, and it was

Agreed,—That a vote of thanks be extended to the witnesses for their excellent brief and kind co-operation.

At 12:30 o'clock p.m. the Chairman adjourned the Committee to Tuesday, November 24, 1964.

D. E. Levesque,
Clerk of the Committee.

Note—*The evidence, adduced in French and translated into English, printed in this issue, was recorded by an electronic apparatus, pursuant to a recommendation contained in the Seventh Report of the Special Committee on Procedure and Organization, presented and concurred in, On May 20, 1964.*

EVIDENCE

THURSDAY, November 19, 1964.

The CHAIRMAN: Gentlemen, I think we have a quorum and we can start this meeting of the committee.

I am pleased to welcome this morning many witnesses from the province of Ontario, representing the Ontario Retail Feed Dealers Association, the grain and grain products section of the metro Toronto board of trade, and the Ontario Elevators Association. These gentlemen have a brief with them, and the brief will be read by the gentleman on my immediate right. I am going to introduce all of these gentlemen to you. The gentleman on my immediate right is Mr. Murray McPhail, the executive vice-president of the Ontario Retail Feed Dealers Association. Next to Mr. McPhail we have Mr. S. C. Hall, the president of the Ontario Retail Feed Dealers Association; Mr. B. C. Craig, the vice-president of that association, and next to Mr. Craig, Mr. E. J. Stiver, the past president of the Ontario Retail Feed Dealers Association. Next to Mr. Stiver are the three gentlemen from the Ontario Elevators Association, the first of whom is Mr. C. S. McLaren, the president of that Association, Mr. J. A. Irvine, the past president, and Mr. W. D. Thompson who is director of the Ontario Elevators Association. The two gentlemen on the extreme end of the line of witnesses are from the grain and grain products section of the metro Toronto board of trade. The first is Mr. R. M. Armstrong, the chairman, and the second is Mr. J. C. Macdonald, the vice-chairman of the grain and grain products section of the metro Toronto board of trade.

Gentlemen, it is a pleasure to have you with us this morning to assist us in our inquiry into the eastern feed grain situation, and I think, with the permission of the members of the committee, I would now like to ask Mr. McPhail to proceed with the reading of his brief. When that has been concluded we will then have an opportunity to ask questions of the gentlemen who are here this morning.

Mr. M. H. MCPHAIL (*Executive Vice-President of the Ontario Retail Feed Dealers Association*): Thank you very much, Mr. Chairman and gentlemen. Just before proceeding with the reading of the brief I wonder if I might take just a minute or two to define the respective activities, within the grain and feed industry of this province, of the men accompanying me on this delegation, and of the actual services they perform.

In order that we might establish the proper order of sequence in this grain and feed movement I think we might mention first the two gentlemen from the metro Toronto board of trade. These men represent a section of the board of trade of Toronto who are the wholesale grain merchants. It is their responsibility to see that grain is moved down from the lakehead to the various terminals and elevators in eastern Ontario which supply the trade as required. They arrange for the transportation of this grain, for placing it in the elevators, and so forth.

Then, I would like to mention the services performed by the members of the Retail Feed Dealers Association who are represented here this morning. These are the men that purchase and obtain the grain from the various lake ports and from the eastern terminals. They take it into their mills where they sell it to their farmer customers in their immediate area, or they may process and blend it into balanced feed and then distribute it to the livestock and poultry feeders throughout the province.

The other group that we are very proud and pleased to have with us this morning is perhaps, in one sense, the junior section of our grain and feed industry in this province but nevertheless one that is rapidly expanding, that is the grain and grain products section. The members of the Elevators Association represent a section of this industry that is primarily engaged in the purchasing of grains produced within the province of Ontario. By virtue of the heavy concentration of this production they are largely in counties of Ontario, west of Toronto, or southwestern Ontario and the five or six counties predominantly in the southwestern part of the province.

These are the services they perform in their respective capacities as members of this grain and feed industry. I think it is important that we keep their activities defined for the purposes of this inquiry.

I would also like to emphasize one point, that our brief and our comments and observations which may be extended this morning are strictly made on behalf of the people that we represent; that is the grain and grain products section. We are not proposing to speak on behalf of our customers, the farmers and producers, or any other section or any other province. We feel you have heard witnesses from these various sections and provinces at other hearings and we are quite confident that they have presented their interests and their cases to you quite clearly. We certainly respect and recognize their submissions, and it is certainly not our intention to conflict with or to trespass over any information that may have been presented to this committee by these groups. This is not because our interests are selfish or because we do not recognize their interests, but because I hope we are speaking strictly on matters with which we are fully acquainted and which have a direct bearing on the issue that is under discussion. In saying that I would like to make it very clear we are convinced and confident that any recommendations we might make to this committee, despite the fact that they may be based on the trade we represent, are nevertheless we believe sincerely in the best interests of the producers of livestock and poultry. Our aim is to serve these people to the very best of our ability, and we are confident that our recommendations will work in that direction.

As we proceed with the brief, it might appear that some of the points raised there might appear irrelevant to the issue that this committee is discussing, but I think that in the course of discussions and questioning, this relation can be established by the testimony and evidence that the members of our delegation will bring to this meeting.

There is one other point, Mr. Chairman, which I should like to bring out before proceeding with the reading of this brief. I do wish to apologize to you, sir, and to any members of your committee who, I am sure, would wish to have a French translation of this brief before them. It was certainly not an oversight or neglect on our part. It just happened that we did not get this brief together until late yesterday afternoon. Some of the members of our committee did not even have an opportunity to read it until we arrived at the hotel last night. For that reason I just want to give you this explanation and present my apologies to the members of this committee who might have wished to have a French copy. It certainly was not our intention to neglect this, nor was it an oversight.

Those are all the introductory remarks which I wish to make at this time. I just wish to add that the men who are here with me are men who have spent their business lifetimes in the industries with which they are presently associated, and I am confident they are quite able to present any information to this committee that might be requested.

I would like to present the brief as follows: As appointed representatives of the trade sections that are party to this submission, we welcome this opportunity to appear before this committee of the House of Commons and to present

our views and comments concerning matters of importance to all branches of eastern agriculture. In the course of preceding hearings conducted by your committee, evidence has been presented by producer organizations, governmental departments and agencies and industry groups from other provinces. Comment on our part will, therefore, be confined to aspects of eastern agriculture that relate to services and facilities provided by members of the Ontario grain and feed industry.

We should also like to express our appreciation of the interest you have shown toward the many and complex problems with which the Canadian agricultural industry is faced. We further trust that practical solutions will evolve from your deliberations and that testimony given by members of our delegation may prove helpful in that regard.

In order that attention might be directed to specific points we would like to raise for consideration of the standing committee, our presentation is formed from subject headings as herein set forth.

1. Government Agency for Marketing Feed Grain in Eastern Canada

From reports on proceedings of this standing committee and from questions raised from time to time in the House of Commons, the impression is gained that consideration is being given to the establishment of a government agency or commission to direct and control the movement of feed grains within provinces of eastern Canada. Lacking information respecting the intended responsibilities, powers and jurisdictional authority to be granted to such agency or commission, it is difficult to comment intelligently thereon. We do, however, wish to place on the recorded proceedings of this committee our objection and opposition to the establishment of any government agency, board or commission for the undertaking of any act of public service that can be rendered as effectively and economically by private interests. We also believe in all sincerity that services pertaining to the transporting, positioning, handling and processing of feed grains in Ontario are presently being performed by members of the grain and feed trade at least possible cost to feeders of livestock and poultry.

Such being our considered opinion on this matter, we further contend that any move to supplant existing grain marketing services and facilities by a government controlled agency should be stoutly resisted by members of the standing committee on agriculture.

Our position respecting the proposed agency being so stated, we wish to assure the committee of our willingness and desire to co-operate with all departments of government, the Canadian wheat board and the board of grain commissioners for Canada in determining supplies of feed grains required in eastern Canada from time to time and the positioning of same to the economic advantage of livestock and poultry producers.

2. Terminal Storage Facilities

Recognizing that accessibility is a primary factor in the successful marketing of any commodity, attention is drawn to the availability of space in eastern terminal elevators for the positioning of feed grains, prior to close of navigation.

The recently adopted storage payment policy of the federal government has alleviated this problem to an appreciable extent insofar as western feed grains are concerned, with the possible exception of the port of Prescott. Serving a wide agricultural production section of eastern Canada as well as other industrial enterprises, facilities at this point are frequently overtaxed to the disadvantage of the feed and grain trade. No assessment of feeding costs in eastern Canada can properly be made without taking into account the tremendous expansion in corn production that has taken place in Ontario within recent years. Within the short space of five years, this production has increased from 26,000,000 bus.

in 1960 to an estimated figure of 50,000,000 bus. for the current year. Despite availability of the product and demand for same that has arisen in eastern counties of Ontario and the province of Quebec, shippers are unable to obtain space in Montreal elevators for adequate stocks of Ontario corn. Trading is consequently hampered and buyers are prevented from securing supplies at a time when market price is normally at its lowest level.

On the strength of evidence submitted in the foregoing, we strongly recommend that an appropriate amount of storage space in the national harbours board elevators as situated within the port of Montreal be held in reserve for eastern grains that might be destined for domestic consumption within feeding areas of eastern Canada which are served to the greatest economic advantage from this terminal point.

3. Federal Feed Assistance Policies

- (a) Freight Assistance—Believing that the federal freight assistance program for western feed grain works to the decided benefit of the western grain grower and the producers of livestock and poultry in eastern Canada, we strongly support retention of this policy. Changes in the method by which levels of assistance are applied as effected by regulations made under order in council P.C. 1964-1155, appear to have brought the system into proper relationship with established patterns of transportation. Areas do exist where some adjustments in zone boundaries or rates of payment are in order but we are pleased to report that remedial action is now being taken by department officials and we are most hopeful that corrective measures will be implemented at an early date.
- (b) Storage Payments—We heartily commend the standing committee on agriculture for recommendations made for payment of storage charges on grains positioned in eastern terminal elevators for winter feeding programs. In addition to the direct saving in cost to eastern feeders that results from this assistance program, shippers are encouraged to position stocks as required in the various terminals before boat space is at a premium as close of navigation looms. The practical and beneficial effects of this policy are clearly recognized and we recommend continuation of same as an established policy of the Canadian government.

4. Exemption from Provisions of Proposed Federal Labour Code.

Having received an official opinion that local feed service mills and country elevators in Ontario are to be declared works for the general advantage of Canada and consequently subject to provisions of the proposed labour legislation, operators of businesses in mention would be faced, on passage of Bill No. C 126, with greatly increased operational costs. These in turn would, of necessity, be passed on to their feeder customers in the form of higher feed costs. We are aware that requests have been made for exempting country elevators in western Canada from provisions of the said legislation and we do hope that members of this standing committee will see fit to make similar recommendation respecting exemption for local feed mills and country elevators in Ontario.

5. Local Storage—Ontario Points

Operators of local or country elevators in the surplus grain producing areas of Ontario are striving to keep pace with the ever increasing demand for grain storage space closely adjacent to the point of production. In such attempt, capital expenditures are involved that place a heavy financial burden on the individual elevator company. As operations pertaining to conditioning,

elevating and storing of grains at country points are not defined as manufacturing or processing within regulations of the Income Tax Act as amended in 1963, elevator operators are denied entitlement to accelerated rates of depreciation on grain storage and elevating equipment. Taxation assessment of this nature as extended to business classified as "manufacturing" or "processing" concerns would provide an appreciable measure of inducement for the construction of additional facilities for the storage of eastern grains. The assistance of members of the agricultural committee is, therefore, respectfully solicited in gaining classification for country elevators under section 1100 (1) (n) class 19 of regulations written under the Income Tax Act, whereby eligibility to take advantage of accelerated rates of depreciation on elevator construction and equipment would be established.

Within the scope of this presentation we have touched briefly on a number of points that have a direct bearing on costs associated with the movement of feed grains, the conversion of same into properly balanced rations, and related services provided by sections of the grain and feed industry as represented at this hearing.

No attempt has been made to elaborate thereon in any great detail in expectation of specific questions being raised by members of the committee before whom we have the privilege of appearing. Before this hearing is opened for enquiry, may we again thank the committee for the invitation extended to sections of the Ontario grain and feed trade as represented by this delegation. It is our sincere wish that this presentation may be of value to your committee in formulating recommendations for the general improvement of the Canadian agricultural industry.

The foregoing is respectfully submitted and subscribed to by—

Grain and Grain Products Section,
Metro Toronto Board of Trade
R. M. Armstrong
J. C. Macdonald

Ontario Elevators Association
C. S. McLaren
J. A. Irvine
W. D. Thompson

Ontario Retail Feed Dealers Association
S. C. Hall
B. C. Craig
E. J. Stiver
M. H. McPhail

Mr. Chairman, this is our formal submission to this inquiry.

The CHAIRMAN: Thank you very much, Mr. McPhail and gentlemen. We will now proceed to the examination of the witnesses and possibly, if the witnesses are in accord with this suggestion, questions might be directed to Mr. McPhail. If you, Mr. McPhail, wish to refer questions to your fellow witnesses, then I am sure you will do so.

Mr. DANFORTH: Mr. Chairman, I am sure I speak on behalf of all the members of parliament from Ontario when I say that we wish to express our appreciation to these members of the different departments of the grain trade who came here this morning and presented evidence which I am sure will be of interest to the farmers and producers in Ontario. I should like to direct some pertinent questions on the basis of the information given in this brief. My first question is in connection with what you stated under Number 1 in your brief where you stated that it was the considered opinion that a government

agency for marketing feed grains in eastern Canada would perhaps not be in the best interests of the feeders and the grain trade. And yet later on I see that you advocate that if perhaps adequate storage were given in Montreal to more of the eastern grain that would be available it would alleviate some of the feeding problems. Is there not some contradiction in these two statements? If there were a commission or a government agency, maybe this might be one of the problems that could be solved by such a commission, or is it your opinion that this is a matter of government policy which would make this storage available to the shippers of grain?

Mr. McPHAIL: Mr. Chairman, in answer to that question, I am free to admit it could be one of the responsibilities of such an agency, but we feel that there are bodies already in position that could do that without necessitating the formation of a completely new agency to do such a specific task. On occasions in the past we have met as a committee from eastern Canada, for example, with the Canadian wheat board and we have been able to impress them with the need for making space available and also positioning certain varieties and classes of grain that could be available. They were made aware of the situation, that insufficient accommodation was provided with the existing facilities. We just cannot see that it would be in the interests of the whole country to form an agency to provide a service that we feel could be very satisfactorily provided by the existing agencies.

Mr. DANFORTH: I would like to direct my next question also to Mr. McPhail. I think these gentlemen appreciate the fact that we in Ontario are very interested in corn. I note that the brief indicates the tremendous increase in the production of corn in Ontario. I would like to ask Mr. McPhail a question in connection with the terminal storage in Montreal. Under the present government policy storage is paid for feeder grains in the terminal elevators. Does this have a tendency to fill the elevators to capacity before the grain corn in Ontario is actually harvested and in the regular trade flow?

Mr. McPHAIL: I think it would have that effect. I think the purpose of that policy was to encourage the early movement and positioning of these western feed grains before the rush of the close of navigation. It may have contributed to that because Ontario corn is a later corn and is at the peak of being harvested now, as you are fully aware I am sure. It is a later crop and these might be the circumstances resulting from it. I am sure the conflict was not intentional. Of course it is most important that our supply of western feed grains as required be positioned before the close of navigation. As you have mentioned, this could be an indirect effect.

Mr. DANFORTH: In the evidence we have received here there was the suggestion that perhaps the reduction of tariff against U.S. corn coming especially into the eastern provinces would somewhat reduce the cost to eastern feeders. If storage was available in Montreal terminals for Ontario corn do you feel that the reduction of this tariff would be advantageous and would in effect reduce the cost to eastern feeders to an appreciable extent?

Mr. McPHAIL: I am going to refer this question regarding the relationship of U.S. corn to Mr. Irvine. I myself would say that as far as reducing the corn is concerned, according to the statistics of the board of grain commissioners in Montreal and Prescott—which are the two elevators we are concerned with—as of November 4 there were 1,600,000 bushels of U.S. corn as opposed to 57,000 bushels of Ontario corn in the same positions at that time so that even with this duty just a fraction of the Ontario corn is in a comparable position to U.S. corn at the present time. I am sure there may be other members of our delegation who might wish to express their thoughts on this, and I would like to refer this question to Mr. Irvine for further comment on this matter of duty which you raised.

Mr. J. A. IRVINE (*Past President, Ontario Elevators Association*): Mr. Chairman, it seems to me that when you start considering the possibility of removing the duty from U.S. corn, there are quite a few things that have to be taken into consideration. There is no doubt that the corn crop in western Ontario is sold in competition with U.S. corn. It is certain that if the duty were removed, it would have quite an effect on the whole corn growing area in western Ontario. I think that we have quite a case to present because the corn crop has developed, as you can see from the figures in the brief; it has almost doubled in the last four years. We think that the corn growers of western Ontario are already doing quite a job in producing feed at a reasonable cost for the feeders of eastern Ontario and the other provinces. Quite a few factors would have to be taken into consideration, and the fact that they are now producing 50 million bushels of corn is certainly going to lower imports of U.S. corn. It will have quite an effect on the financial situation. If this corn is imported, then foreign exchange is involved. This is one of the things that would have to be considered, we think. We would certainly hope that there could be some other solution to this problem because, as I said previously, we feel that the corn growers in western Ontario are already doing a pretty good job in providing cheap feed for eastern Canada.

Mr. DANFORTH: Mr. Chairman, I have one other question and then I will let other members speak because I know there are other committee members who are very interested in this. My question has to do with storage being paid by the government on grains used for feeder purposes. Does the government pay for the storage of any corn that is stored in the terminal elevators, either Canadian or U.S., or is it only paid on western feed grains?

Mr. McPHAIL: Yes, strictly western grains.

Mr. DANFORTH: If I understood you correctly, sir, this is another form of competition that the corn that is grown in Canada is faced with, both in regard to U.S. corn and western feed grains?

Mr. McPHAIL: That is right.

Mr. WHELAN: Mr. Chairman, I would like to congratulate the group here for the brief that they have presented. There are several questions which I would like to ask. I would like to point out that there is possibly one thing with which I disagree a little bit, that is the fact that you are so clearly against a government agency. I would like to ask the following question: Do you find any great fault with the administration of the Canadian wheat board?

Mr. McPHAIL: I personally do not. If any members representing other sections would wish to comment otherwise I would like to give them the privilege. We do not.

Mr. WHELAN: I fully realize that a lot of study has to go into this problem before it can be realized, but as a producer of grain I feel that there are many injustices, some of which Mr. Danforth pointed out, for instance, the mere fact that we have to compete with other grains—speaking strictly about corn now. We do not enjoy aid in storage, and the competition from other sources of this commodity with which we have to put up is a great burden. I feel that somewhere along the line the welfare of the producer is not being considered properly and the consumers of this product do not get the benefit from the high energy food that they could get if it were better distributed and looked after better.

Mr. McPHAIL: It is a little difficult to answer that question in a few words, as you can well understand. I think the grain trade in this province—I am now speaking as an employee of this organization—has had an enviable record over the years even during wartime and during the post-war years when supplies were very hard to come by.

I do not think there was any animal or poultry in this province which went without feed during those times. I know something of the effort that these men put forth to see to it that supplies were made available. I do not think there could be any criticism justifiably directed to this section of the industry here, and to say that supplies were not distributed. We are at a loss even to envisage how any agency could do a better job in a distributing position and in placing supplies.

Mr. WHELAN: You point out that this American corn was occupying elevator space which should have been utilized by Canadian corn, and that we had no space for it. Right now all the elevators are doing their utmost to take care of the crop as it has been harvested, and some of them are operating under very difficult operating conditions because of the rush to get the corn in, since it will not keep properly in the fields. I feel that in the same way we must have a better type of direction so that this type of thing does not happen. As you point out in your brief, the potential for the corn growing industry is much greater, and it is enlarging all the time.

Mr. McPHAIL: That is right.

Mr. WHELAN: You mention in your brief the eastern feed policy which was adopted last year. Have you any suggestions to make, or any fault to find with it? You make the comment that they have failed somewhat. But have you any suggestions to make which would better this operation?

Mr. McPHAIL: You refer to storage payments?

Mr. WHELAN: Yes.

Mr. McPHAIL: Personally, I have not. But perhaps I should direct your question to a man who is directly in this business, namely, Mr. Stiver. Would he care to make a comment?

Mr. E. J. STIVER (*Past president of the Ontario Retail Feed Dealer Association*): Mr. Chairman, it has been a good policy in the fact that it lowers the cost which is passed on to the ultimate consumer, and in causing grain to be purchased earlier, in a way which would not be done normally, because we would need that much more storage in which to put it; and it would result in a terrific rush. Competition has a tendency to force prices up just before the close of navigation. This comes in on October 15, just two months before the close of navigation for the year, and it gives us some manoeuvring time and therefore an advantage. I have not any statistics or suggestions to improve it. I do not think it is practical to set a date earlier still. I do not think it is necessary. I think it is designed to do what it is doing, and we are quite happy.

Mr. WHELAN: Another question, Mr. Chairman. We talk about this grain stored in eastern facilities. Do you feel that in these corn producing areas there are proper facilities? I mentioned before that some of the elevators were under terrific pressure right now. Do you feel there are proper facilities in western Ontario to handle the grain?

Mr. McPHAIL: I think we all recognize that we are in the middle of a real explosion with this type of corn, and that it is difficult to get facilities in order to meet all the requirements immediately. Perhaps I should refer your question to Mr. Thompson or Mr. Irvine. Perhaps they could explain better what facilities could be developed.

Mr. IRVINE: I do not think there is any doubt at all but that we are definitely short of facilities to handle this corn crop. In spite of the fact that there has been quite a sizeable amount of grain storage built over the past eight or ten years in western Ontario, I feel we are only really starting. If the corn crop is to be handled properly, there has to be additional storage, and there has to be additional drying capacity. Right at the moment the critical thing is the drying capacity, because we are faced with deliveries of corn, and we are limited to the

capacity of our dryers at country elevators. You will notice in the brief there is a suggestion that some means be found to include grain elevators as eligible for accelerated depreciation. I think this is one of the most important points in the brief, because I feel that if this were allowed, then additional storage space and drying facilities would be built pretty quickly. I do not have any figures at my finger tips about just what storage has been built in the past few years. I know it has been greatly increased, and I feel it should be much more greatly increased if accelerated depreciation were allowed.

Mr. DANFORTH: Could these figures be made available to the committee on the rate of increase in production of this grain, and the rate of increase in storage and drying facilities, so that we might have some idea of the picture that is taking place there? They would not necessarily have to be made available right now, but if they could be produced and sent to the secretary of the committee, perhaps they might be incorporated in the report. I think this would be quite helpful.

Mr. IRVINE: I am sure that could be done.

The CHAIRMAN: May these figures be made available as requested without too much trouble to your organization?

Mr. IRVINE: I think they could be.

Mr. J. C. MACDONALD (*Vice Chairman, Metro Toronto Board of Trade*): Yes, I think they could be. But we already have some information along the lines of your question. These are the figures of storage capacity of country elevators in southwestern Ontario, prepared by the agricultural economics department of the Ontario Agricultural College at Guelph. They embrace six counties in southwestern Ontario which are principally involved in this production of which we are speaking at the moment.

As of 1961 we have a total of 3,358,800 bushels within the six counties we are speaking of. In probably 85 per cent to 95 percent of them during the period under consideration there was another $\frac{1}{2}$ million bushels at that time; and the increase in storage capacity of these elevators since 1955 was 65 per cent. This increase is continuing, and it indicates that the elevator operators in the area are constructing space just as fast as they are capable of doing so, and also installing additional dryers.

Mr. WHELAN: What I am getting at, Mr. Irvine, is this: I have some experience with these services which were used in connection with elevator storage for grain in western Ontario, namely corn. My main concern is that I feel we have a high energy livestock food here which, if properly looked after, could be a really high quality product. It seems to me that we do not have the proper facilities to look after it. And as I said earlier, this year is worse than ever on account of the crop, and the way we are harvesting it today. It is all rushed on the market at one time, thus creating a real problem. There was some suggestion that our Ontario corn is not of as high quality as American corn. What is your opinion concerning the quality of Ontario feed corn?

Mr. MCPHAIL: I have never questioned the quality of American corn as far as feed purposes are concerned. There might be some requirement in industrial processing for distillation or storage, however, with which I am not familiar. But I do know that many feeders, turkey people particularly, are delighted when they have an opportunity to get Ontario corn because there seems to be a palatability about it which is not noted in the case of American corn. Moreover, corn coming from the United States may have been in storage for some period of time; and when we say there is no deterrent in physical quality, nevertheless animals and birds may have some other ideas. I know of some operations where they are obliged to buy American corn. This may

be a matter of palatability only. I do not think we can question the quality of Ontario corn. Perhaps some of the gentlemen present might speak to this question.

Mr. IRVINE: I have always thought that it was comparable, and that it was just a matter of corn, whether American or Canadian, depending on the price position. In many cases corn may be sold on this basis, either American or Canadian corn. But perhaps the gentlemen from the board of trade would be in a better position to answer this question.

Mr. R. M. ARMSTRONG (*Chairman of the Grain and Grain Products Section, Metro Toronto Board of Trade*): We handle both Ontario and American corn, and we have done so for some time. On occasion we supplement Ontario corn with American corn, depending on which we have in position for sale; so we may make our sales as United States or Ontario.

Mr. MCBAIN: That would be in competition with American corn. Would the price factor or the quality factor enter into the picture?

Mr. ARMSTRONG: What is that again, please?

Mr. MCBAIN: Is it the price factor in competition with American corn, or is it the quality, or both?

Mr. ARMSTRONG: Usually it is the price factor, because naturally when a feed dealer calls up, he would take the cheaper corn. But I think you will find that Ontario corn will compete with the American. Right now there is American corn in bay ports at Goderich, which is about 15 cents a bushel higher than Canadian corn. It is not selling at all, simply because of the price.

Mr. MCBAIN: Would it be last year's corn, or new corn?

Mr. ARMSTRONG: This corn just came in.

Mr. WHELAN: Getting back to the use of our Canadian corn, we talked about facilities; would you care to express an opinion on whether we should have additional water storage facilities that could be used for shipping and drying corn. I mean at large terminals. If you asked the federal government to treat this grain in the same way, and pay the storage for this corn, do you think that anyone would be inclined to go ahead and build this type of storage?

Mr. MACDONALD: Your question is this: would the government build these elevator facilities.

Mr. WHELAN: No. Do you think this is needed? If it were needed, do you think, if the government paid a storage subsidy on Canadian corn, anyone would be prompted to build this type of facility.

Mr. MACDONALD: I think the type of storage we are speaking of is just for this eastern Ontario and Montreal market and movement, where Montreal and Prescott, to some extent, would be the logical points. I do not know if any private interest would undertake construction of them.

Mr. WHELAN: Do we not lose part of our market on many occasions because the demand for Ontario corn comes when the corn is in the cribs and in farm storage and not available for shipment, and because we cannot guarantee continuity of supply?

Mr. MACDONALD: Yes. Of course, we must recognize that we still do require American corn. As yet we are not producing in sufficient quantity. From this storage or terminal point there is an increasing demand by purchasers of corn for storage against it close to the area of production; that is, local elevators with sufficient storage facilities, whereby they can buy it up on a storage basis locally. We feel from the service point of view that is where the produce is at its greatest value, and where it can be moved out. The point of getting it to Montreal is a winter movement. It can be railed down to Montreal, and it is being railed to Montreal. This matter of building storage, let us say, in Montreal

is not so much a question of storage as long as it is used as a terminal place for western grain, because you could build another 10 million bushel storage there and it would still just be a drop in the bucket, because of the amount of grain that could be moved down from western Canada. We simply request that certain space be maintained for use of Ontario grain in order that it can be moved into this market. I do not think it is a question entirely of additional space, but rather one of having space made available for specific use.

Mr. WHELAN: Do you care to comment on whether it would be of advantage to ship our Canadian corn by water?

Mr. MACDONALD: I would have to ask Mr. Armstrong or some of the people who do ship, or who have had traffic at a reduced rate into Montreal. I understand that there is competition with water.

Mr. ARMSTRONG: Yes. The rail rate now was put in a couple of years ago, and it is actually a little cheaper to ship by rail than by water.

Mr. ROXBURGH: Supplementary to the matter of space, and referring to page 3, you say:

The recently adopted storage payment policy of the federal government has alleviated this problem to an appreciable extent in so far as western feed grains are concerned, with the possible exception of the port of Prescott.

And then you go on to say that it is being overtaxed, that is, that the facilities are being overtaxed. Have you any knowledge of more storage facilities being built to take up this situation, or to alleviate it?

Mr. MACDONALD: You ask me if I have knowledge of additional space?

Mr. ROXBURGH: Yes; is that the reason you say: "With the possible exception of the port of Prescott"?

Mr. MACDONALD: Yes.

Mr. ROXBURGH: Then you go on to say:

Serving a wide agricultural production section of eastern Canada as well as other industrial enterprises, facilities at this point are frequently overtaxed to the disadvantage of the feed and grain trade.

Do you know of any more facilities which are being built for storage of feed grain?

Mr. MACDONALD: No, I do not know of any plans in existence other than the national harbours board elevator at Prescott. I think you will realize that it is a five million bushel terminal, of which roughly one million bushels are taken out of public storage for commercial companies which require it.

Mr. ROXBURGH: That has nothing to do with the situation for the feeders in that area or the farmers. Therefore, under the present circumstances, the area around port Prescott should be looked into to see if it actually requires, as you say, these further facilities. Private industry has not taken advantage of that area, so far as you know.

Mr. MACDONALD: No.

Mr. ROXBURGH: There is nothing being done to alleviate the situation at the present time. Have you any figures to produce?

Mr. MACDONALD: I must refer the question to Mr. Armstrong. I think since the port of Prescott has been built it has served a great portion of the eastern provinces even down to the maritimes. If there are plans for additional construction of storage space further down the river, more adjacent to eastern Canada, it would have the effect of alleviating the pressure on space at Prescott. I do not know what plans of that nature are under consideration. Perhaps Mr. Armstrong could speak to it.

Mr. ARMSTRONG: Mr. Chairman, this year the situation actually is not quite as bad as usual as far as feed grain is concerned, because at the present time you can buy wheat, oats and barley at Prescott two or three weeks before the close of navigation. I know that we placed a boatload of corn in there a month ago, and we had difficulty unloading it. But there are still lots of oats, barley and wheat for sale there.

Mr. ROXBURGH: Do you think there will be enough for winter?

Mr. ARMSTRONG: There is nothing to stop anyone supplying it right now if he can get free storage.

Mr. ROXBURGH: Do you think the facilities there are adequate for the area?

Mr. ARMSTRONG: No. We have always run into trouble; but now we have a free storage program, we have an opportunity to get in a little earlier, you understand.

Mr. ROXBURGH: I understand. But still, at the same time, do you feel there should be more space?

Mr. ARMSTRONG: Yes, they could do with much more space.

Mr. ROXBURGH: Have you any suggestions to make?

Mr. ARMSTRONG: Other than building an addition to the elevator, I have none. Of course, it is a government elevator which is involved.

Mr. ROXBURGH: As far as you know private industry is not interested.

Mr. ARMSTRONG: No.

Mr. ROXBURGH: Therefore, if there is a possibility in that case, it would be up to the government?

Mr. WHELAN: I have one more comment to make. On the matter of local storage requesting assistance of the agriculture committee, and ignoring the qualifications of country elevators under section 1100, I notice in what Mr. Irvine said that they have checked on the building of elevator storage in designated areas. Now, I happen to live in a designated area, and we have had industries establishing two or three plants in there. I wonder if your organization has ever checked on it?

Mr. IRVINE: We have checked. At one time Chatham was the only area, but we were not allowed to build there. I think if you could go ahead and make it possible to bring about this accelerated depreciation, it would permit some storage facilities to be provided, because at the present time the depreciation upon cement construction is five per cent which to an elevator operator is completely unrealistic. You build these tanks and you have no chance during your lifetime to recapture your money. I think it is creating a stumbling block and preventing local country elevators from expanding. As has been pointed out in a survey, when we were allowed to build under accelerated depreciation, there was a tremendous increase; but this was cut out in July, 1961, and since that time elevator operators would take a second look before going into debt to build this storage capacity without a chance of recovering their costs during their own lifetime.

The CHAIRMAN: Gentlemen, Mr. Macdonald referred to a survey which is entitled "Storage Capacity of Country Elevators in Southwestern Ontario". Does the committee agree that it be appended as part of the proceedings of this meeting?

Agreed.

(Translation)

Mr. DROUIN: On another matter, I see at page 5 of your brief that you object to a labour code project applying to Ontario grain elevators. Referring to page 5 of your brief I see that you object to the provisions of the future labour

code applying to Ontario grain elevators on the grounds that such application would increase operating costs. What do you find in Bill C-126 that might cause operating costs to increase? Is it because you find the wage of \$1.25 an hour too high?

(Text)

Mr. MACDONALD: I do not think in most areas of the province it is a matter of the minimum wage; there are some areas of operation which are strictly rural, in back districts, where the wage scale would be appreciably below that \$1.35 an hour. There are many other areas which are adjacent to industrial areas where they have to compete for labour on the basis of industrial levels. I do not think that as far as its effect on the minimum wage is concerned, it is of as much importance as the limitation on the hours of work. The bill puts it at a 40-hour work week with the possible addition of some overtime to the extent of 8 hours. But so much of this work in elevator operation is seasonal in character and it requires the experience of trained men to operate the machinery when the rush is coming in. I am sure that the elevator group are working 24 hours a day, seven days a week, trying to get it all in during the rush of production. It would be impossible for them to get experienced and qualified men if they were to be restricted. I think in that area we feel we are entitled to an exemption from the limitations so far as the hourly wage is concerned.

(Translation)

Mr. DROUIN: But you do not have sufficient labour to organize two or three crews when you ship the most grain, at peak periods?

(Text)

Mr. MACDONALD: Mr. Chairman, I would like Mr. Irvine to answer the question, because he is right in the middle of this operation now, and he is well aware of this problem.

Mr. IRVINE: It is almost impossible to get sufficient labour at the peak of harvest time in the grain producing area of southwestern Ontario. We have several rush seasons. We have a wheat crop, and then the soybeans, the white beans, and later on the corn in the field; and with all these crops the delivery period has grown appreciably in the last few years. We may get an entire wheat crop, let us say, in a matter of ten days or two weeks now; or the soybean crop will come in in the same way, and with the increase in combines and picker shellers in corn production, the same thing is happening with corn. If you take the total of these delivery periods, you only have perhaps a total of two or three months out of the year, and I think it would be literally impossible to get skilled help that you could put on a shift basis and comply with these regulations, where you would only have 100 hours of overtime.

Mr. WHELAN: I have had this question brought to my attention, that they are liable to be brought under this act. And from my checking up upon it as recently as this morning, I find that there is some question whether Ontario elevators would be brought under it. It has to be decided in the courts. Some sections quoted by one of the organizations here indicated that they have no jurisdiction over the Ontario elevators at all. There are a lot of doubts whether the elevators in Ontario would be brought in.

The CHAIRMAN: Thank you.

Mr. HORNER (*Acadia*): Please correct me if I am wrong, Mr. McPhail, but does government storage apply to all elevators in eastern Canada whether they be privately owned or publicly owned?

Mr. MCPHAIL: No; they are licensed terminal elevators. But there is provision for unusual cases. It may be extended under special circumstances and agreement, but it is for licensed public terminals.

Mr. WHELAN: This is the only place where government storage is paid throughout the winter months?

Mr. MCPHAIL: To the best of my knowledge, yes.

Mr. WHELAN: That is what I thought, but I wanted to be certain. At some point in your brief you suggest there is not enough storage at Prescott, and at Montreal particularly. I have a further question to ask, arising out of your contention that there is not enough storage. Does the government storage policy not have a tendency to make the feed mill operator leave his grain? Suppose the feed mill operator orders 100,000 bushels of grain to be shipped down and to be stored first of all in government elevators. He takes it on consignment, but will there not be a tendency for the feed mill operator to leave that grain as long as possible in government storage?

Mr. MACDONALD: That might be assumed. But I think we recognize that the feed mills do not take up great storage space. They have to utilize the space where they bring it in. They have working space where they bring in perhaps a car or two, and then they put it through their mills. They can then get shipments out on quite a short notice. I do not think there would be an appreciable effect because a few of the mills do not have storage; it is just their working space.

Mr. HORNER (*Acadia*): A week or two ago a feed mill operator said he had in the neighbourhood of a 25,000 bushel storage. I assumed that perhaps this was an average, but maybe it was above the average. However, most feed mill operators, I assume, would have a certain amount of storage. You say there is not enough over-all storage. Perhaps the government, by paying the storage in terminal elevators, would encourage the feed mill operator to leave the grain there as long as possible until he needs to take it out. Are you in some agreement with me there?

Mr. MCPHAIL: Yes, I am, but I know that this space in elevators, where it is available, is being utilized for a grain bank service for farmers in the area who are bringing in their grain and utilizing it for custom storage facilities. It is not sitting there empty.

Mr. HORNER (*Acadia*): Oh, no, but I do envisage a holdup to an extent because in the terminal elevator the government is paying the storage, so why take it out? The farmer may say, "Let me handle the local grain first in my storage". This could happen. Would the fact that the government is paying for the storage in terminal elevators encourage the feed mill operator to say, "Why should we build more storage if we have to pay our own storage on it?". In effect this would discourage further construction of storage facilities.

Mr. MCPHAIL: I certainly think that could happen. I do not think there would be any desire on the part of the feed mill operator to build additional storage just to have grain available. That is only part of the answer to the question. I would like to refer this question to somebody who is actually doing this day by day, and in this way we can find out if this has changed their method of operation. Perhaps Mr. Craig could speak on that. He is from the Arnprior district.

Mr. B. C. CRAIG (*Vice-President, Ontario Retail Feed Dealers Association*): Mr. Chairman, in regard to Mr. Horner's question, I do not think very many local feed dealers have the cash provision to take delivery of this 100,000 bushels you suggest. That would involve an awful lot of money that he has already tied up in his other stocks.

Mr. HORNER (*Acadia*): I did not envisage him taking the whole 100,000 bushels but I thought that with the government storage being paid he may be hesitant about taking out of storage any more than he actually needs because while it is in the government terminal storage is paid on it and he has not got the additional cost on his operations.

Mr. CRAIG: There is a tendency to leave it there until he needs it, that is the 10 or 20 tons at a time which he may have in his own storage.

Mr. HORNER (*Acadia*): Then you agree with me that there would be a tendency for the feed grain operator to say, "Why should I build more storage, let the government do it"?

Mr. CRAIG: I do not think the feed mill operator has ever felt that he should have any more than just sufficient storage facilities to handle perhaps a carload or two of any one particular grain. Even if you have oats, barley, wheat or corn which would necessitate up to 4,000 bushels of storage, he would not consider it. In addition there is the local grain to have at hand.

Mr. HORNER (*Acadia*): I have one further question with regard to storage. I think it is Mr. Irvine who mentioned that the storage question is greatly complicated because of deliveries of wheat having to be made within a 10 day period, and a similar period for corn. Is not any of the grain stored on the farms in eastern Canada? You mentioned the wheat coming in during a 10 day period.

Mr. IRVINE: Mr. Chairman, of the three main crops, we would get 90 per cent of our wheat deliveries in our wheat run which, as I say, is from 10 days to two weeks. The same would apply to the soybean crop. Corn is spread out more. I can quote you our exact figures from last year. We handled about a million bushels of corn, and 500,000 bushels of that were delivered in the fall run, in the months of November and December. Even with corn, which is spread out a lot more than other crops, half of the corn crop is delivered to us in a very brief period.

Mr. WHELAN: Mr. Chairman, I have a supplementary question. Is it not true, Mr. Irvine, that if a great amount of this grain which is harvested is not delivered and dried immediately it can get out of condition, and that a lot of the grain that is kept on the farms does not come out in number one condition?

Mr. IRVINE: That is quite true.

Mr. HORNER (*Acadia*): I will now go back to the question of storage. Part of the question was answered, but not entirely. For a western farmer a 10 day delivery period for wheat ever since the 1940's sounds pretty good. We have had to deliver our wheat over 365 days, and then another 365 days. Do you not see some possibility that greater storage could be created on the farms?

Mr. W. D. THOMPSON (*Director, Ontario Elevators Association*): Owing to the climatic conditions and the nature of the crop, our Ontario crops are not entirely similar to the western crops and to the storage conditions in the west. We find that most of these crops need a certain amount of conditioning, and your storage operation must be watched closely. Many of our farmers are not experienced in storing grains, and they find it uneconomical to do that on their farms. They depend more and more on the local elevator operator every year. At the present time corn is a prime example because it must be dried and processed right off the bat, as soon as it is harvested. When you get to these last crops, there is no space in the elevator for the local farmer. He must sell the crop because the elevator does not have the capacity to give him storage. I think this would not help the marketing situation when you are faced on the one hand with selling your crop in 10 days and yet you have a 12 month marketing period. This creates chaos on the market.

I have one more comment. I think it has been proved conclusively that grain always maintains its maximum value the closer you can keep to the point of origin. If you go to terminal storage you are limiting yourself as far as flexibility of the movement of grain is concerned.

Mr. ROXBURGH: I would just like to add this, Mr. Horner. We are not talking about 500 or 600 acres of grain; we are talking about 35, 40 or 100 acres of grain. Therefore, the local farmer cannot afford to put up the equipment that is necessary to have that grain and keep it in condition in the present set-up. It is a different set-up entirely, both as far as climatic conditions are concerned and everything else.

Mr. HORNER (*Acadia*): I have one further question with regard to storage. Mr. Thompson, you stated the very fact that the grain is marketed by the farmer in a 10 day or two week period and has to be sold over a one year period greatly adds to the congestion. Surely somebody at that particular point has to build more storage, either the farmer or the elevator operator.

Mr. THOMPSON: I agree. I think the practical solution lies with the local elevator operator. Basically we have three markets, a feed market, a processing market such as the starch companies or the distillers, and an export market. If the corn is shipped to storage in a terminal elevator, it is often out of position for marketing six months in advance. I do not think anybody can predict where the market will be. This is my reason for expressing the thought that the closer that commodity can be held to the source of production, the better it would be. Farm storage would be the best answer. However, I do not think it is considered practicable with Ontario grains. The next step is a local elevator within an area of maybe five or ten miles.

Mr. HORNER (*Acadia*): To carry this a little bit further, Mr. Thompson, is there any development of grain drying on the farm? Is there a movement in this direction by the farmers?

Mr. THOMPSON: There is a definite movement towards it, and I think it will increase.

Mr. HORNER (*Acadia*): You feel that if the man knows his business he can do an efficient job of drying it?

Mr. THOMPSON: This is open to question. I am most happy if a fellow dries his corn, but I question whether it comes out in spring as No. 2 corn or not. Although you have a standard moisture content of 15½ per cent on corn, this is no guarantee that it will keep.

Mr. HORNER (*Acadia*): I understand this is a question on which we will never agree, but I have one further question with regard to the local elevator operator, in particular in Ontario. Is the local elevator operator in most cases involved in the feed mill business, or are these two businesses separate?

Mr. THOMPSON: I would think yes, the majority of the elevator operators are also feed mill operators.

Mr. HORNER (*Acadia*): We are getting right back to the point from which I started. I said the feed mill operators should build more storage, to which you said no a while ago. Does the elevator operator have to build storage?

Mr. THOMPSON: The feed mill operation is not a storage operation. The space in the feed mill must be considered as working space and not storage space.

Mr. HORNER (*Acadia*): In most cases I gathered that those engaged in the local elevator business are also engaged in the feed mill business?

Mr. THOMPSON: Excuse me, I am sorry, but there is a controversy here. I should limit my answer to our Essex-Kent country, the area I come from. The area from which Mr. Stiver comes is not a cash crop grain area.

Mr. McPHAIL: I would like to elaborate on that for a moment, Mr. Thompson. At the present time there are approximately 60 elevator operators in south-west Ontario and they operate and manage some 90 individual points. In the province of Ontario there are close to 1,000 feed stores and feed mills, so while

you get the 60 or 90 that may sell feeds, you get another 900 that do not handle grains from an elevator. I do not see that it would be economically possible for this 900 to develop storage just for their own use as it would be too costly. To maintain their working space seems to be the extent of their function. But whether the elevator operator has a feed business or not is a separate question, and we recognize the need for additional storage in these areas. This may extend as the corn crop goes up in the northerly direction, and men may be obliged to get into the elevator operation, but a relatively small per cent of the trade function as grain dealers.

Mr. HORNER (*Acadia*): I have a further question with regard to elevator operation in the province. I think we have now agreed that they are one of a group of people who should build more storage. Would it be beneficial if any credit facilities were made available to elevator companies to build the storage? For example has the industrial development bank made its resources available to this industry for the building of more storage?

Mr. MCPHAIL: I think so. Again I would like to refer to the people who are in this business.

Mr. THOMPSON: We are private elevator operators, and we have to make two dollars to invest a dollar in storage in our present income tax situation. I believe that credit would not help us. I think a sounder approach would be to increase the rate of depreciation and build within our own organization. Does that answer your question?

Mr. HORNER (*Acadia*): Yes, partly.

Mr. THOMPSON: I believe that most grain operators must have a fairly good connection with credit somewhere or they could not stay in the business.

Mr. HORNER: You think they have ample credit?

Mr. THOMPSON: No. I would like Mr. Irvine to answer that.

Mr. IRVINE: Mr. Chairman, I am in a little different position because I am the manager of a local county co-operative on financing, and when you build an elevator or any project you certainly have to have a close look at financing. I think that credit is not the real problem. I think that money is available but if the incentive were provided to build this storage, then most local points would co-operate. If it is going to make money for them, if it is economically sound, then I think they would build storage. They will not do so unless this is the case. I think credit is not the real problem. In some cases country elevators have taken advantage of the industrial banks.

Mr. HORNER (*Acadia*): I am going to leave storage for a minute and go on to another aspect of this question. Actually, this committee's reference is to study the difference between the price the western producer receives for his feed grain and the price the livestock feeder in eastern Canada has to pay for it. Do you gentlemen think that there is a big difference between the two factors?

Mr. MCPHAIL: You are speaking of what the western farmer receives for his grain and the eastern feeder pays for it? Undoubtedly there is a wide spread, I am sure of that. Grain is being transported thousands of miles, and there is handling, transportation, processing, and so forth. A great many services are involved in the transaction. Your question leads me to the operation of the feed mill operators who are in our group today.

Mr. HORNER (*Acadia*): I will then ask this question of the feed mill operators in your group today. Could you tell me at what price you sell barley around Toronto, that is western barley, not milled or browned in any way?

Mr. STIVER: Our retail price for bulk delivered to a farmer today is \$59 a ton.

Mr. HORNER (*Acadia*): That is delivered at the farm.

Mr. STIVER: Yes, delivered at the farm, and that barley costs us, laid down at our mill, \$53.36 a ton.

Mr. HORNER (*Acadia*): This figures out to a shade over $2\frac{1}{2}$ cents per pound. Am I right? What do you think the western producer would receive? We know what the eastern feeder has to pay for it, but what do you think the western producer would receive for that same barley?

Mr. STIVER: You would have to tell me what the expenses are in the \$53.36. I cannot tell you that.

Mr. HORNER (*Acadia*): I would say that the western producer receives something like 2 cents per pound.

Mr. STIVER: My reaction is that the difference is not too much, when you consider the cost of transferring and handling it between them. Your producer out there gets 2 cents, and I am paying a shade over $2\frac{1}{2}$ cents. I do not know what the rates are between your place and Manitoba.

Mr. HORNER (*Acadia*): The western producer pays the freight to Fort William, and it is generally believed that the government pays the freight from Fort William to Toronto.

Mr. STIVER: Oh!

Mr. HORNER (*Acadia*): When shipping bulk grain by water route, the freight subsidy generally takes care of the freight, so I agree with you. That is why I asked you. Do you think there is a great discrepancy between the price which the western producer receives and the price the eastern feeder has to pay? I think the answer was yes.

Mr. MACDONALD: No, not a great discrepancy, but there is quite a variation.

Mr. HORNER (*Acadia*): I am glad to hear you say that. I do not think there is a great deal of difference. And to carry it one step further, in the livestock feeding industry, and this is what we are supposed to be studying, I have a report here by Mr. W. V. Munroe, an economist of the meat packers council of Manitoba. He deals with the cost of feeding a 700 pound animal and he suggests that it will eat 25 bushels of barley and $17\frac{1}{2}$ bushels of oats; and then there is additional cost of minerals, transportation, and everything else. But what we are interested in, in this committee, is livestock feed. If you take his figures of 25 bushels of barley and $17\frac{1}{2}$ bushels of oats, and figure it out, you find that western feeder is feeding that animal at 2 cents per pound, while the eastern feeder would be feeding it at $2\frac{1}{2}$ cents per pound. So the difference in the cost of feeding that animal works out to \$9 on a 700 pound animal.

If you are lucky enough to gain 300 pounds, you have 1,000 of steer which may sell for \$2 a hundred weight, and with a 1,000 pound steer it comes to \$20. Therefore, I think that the eastern livestock feeder has a far greater advantage over the western livestock feeder in buying his grain through the freight assistance policy and the storage policy, because it cost him only one half per cent more. Do you follow my reasoning? It increases the cost by only \$9 on livestock weighing 700 pounds.

Mr. BEER: What percentage of western livestock producers buy the grain which they require to feed their stock through normal retail channels, or their neighbours?

Mr. HORNER (*Acadia*): Very little. Most livestock feeders in western Canada feed their own grain. You have the figures showing what it is worth; it is worth 2 cents a pound to the farmer whether he buys it, or feeds his own grain.

Mr. WHELAN: Is there any corn involved in that operation?

Mr. HORNER (*Acadia*): No, I do not use corn.

Mr. JORGENSEN: On a point of order, perhaps we might be able to get Mr. Horner to appear as a witness before the committee.

The CHAIRMAN: I think your point is well taken. But I thought that since we were getting along so gently this morning, I would not prevent Mr. Horner's cross-examination.

Mr. PETERS: Mr. Horner referred to Prescott storage facilities last year. May I ask if these storage facilities have been in operation, and whether there was a supply sufficient to meet all the demands of the area serviced by Prescott last year?

Mr. CRAIG: I think in general the answer would be yes. Some of the storage available at Prescott last winter would be winter storage.

Mr. PETERS: It would be concerned with grain?

Mr. CRAIG: No. The elevator itself was not sufficiently large to carry all the grain that was required.

Mr. PETERS: Could the witness explain why the price in Arnprior was so much higher at the end of the season, along in April, than it was at the beginning of the season. The report is that the prices for feed grain in April were \$8 to \$10 a ton higher than they were in October or November.

Mr. S. C. HALL (*President, Ontario Retail Feed Dealers Association*): I do not believe that grain advanced that much in Arnprior. I think it would probably be \$2 or \$3, but there would be some market changes. I do not have the figures for comparative prices of grain from the previous fall to last spring.

Mr. PETERS: May I ask how feed grain costs are arrived at? Is it because of the concentrates, or through the feed grain itself.

Mr. HALL: Some of it would be due to concentrates, and some would be due to feed grain. There is certain interest cost on this grain from the time it is put into storage. This will tend to raise the price month by month.

Mr. PETERS: Might I ask you, if the paying of storage by the government was of benefit to the producer, how do you transfer it to the cost of the feed grain?

Mr. HALL: Well, in pricing any of our feed we take our delivery costs, and the storage in it or otherwise, and we translate it into retail prices. If there is extra storage in there, then our delivery cost is higher.

Mr. PETERS: You also said that your sale price fluctuated with the market run in cost.

Mr. HALL: Well, some of the grain that we have put into position may be bought at different prices. It is possible that at the beginning of the season, in the fall, our prices may be down lower than what we have to buy later for winter use.

Mr. PETERS: The example Mr. Horner used may be quite true at a period of the year; but in eastern Canada the tendency has been to fluctuate very rapidly as we approach spring. In other words, it starts at $2\frac{1}{2}$ cents, and it may go up to 3 cents or $3\frac{1}{2}$ cents, and you cannot use this as an average figure, because of the other fluctuating factors.

Mr. CRAIG: It is possible that there would be an addition for certain grains in eastern position, and that this would raise the price.

Mr. PETERS: I am not sure whether I understand what makes the difference. Even though you as an agent, or as a feed mill operator, may have bought your total supply, the reason the federal government pays the storage is that you may buy a large enough quantity to last you all the year, and thereby eliminate fluctuations in the market. If it does not do this, then we should not be paying storage. If you put your total year's requirements into an elevator, we pay the storage on it, and you will take it out when you wish to do so. Now, do you buy this grain outright, or do you just buy it on futures?

Mr. CRAIG: We would do some of both. We try not to buy any more than will see us through to the end of the storage, because if you have overbought, you may end up with storage which you could not recoup on the market, and it could even lower the price after the opening of navigation. But if you happen to put in that high cost grain, and you add storage to it, then you will find yourself in an unfavourable position. So you try not to buy more than is necessary to see you through. Occasionally you may be caught short, however.

Mr. PETERS: How much of your purchases would be in a hedged position?

Mr. CRAIG: Up to possibly 25 per cent. This can vary from year to year, and if there is a drop on the market, you hedge a bit.

Mr. PETERS: Is this representative of most eastern buyers?

Mr. CRAIG: I could not say whether others do the same thing. Perhaps the grain trade would know more about this.

Mr. McPHAIL: I think it would be good if some member of the grain trade would comment on this question.

Mr. MACDONALD: This year on account of the high price of barley most of our sales, as in recent years, have been made on a flat basis, with the dealers buying their requirements, or part of their requirements to carry them though to April 15, or the opening of navigation. But we find this year, owing to the high price of barley, that they are reluctant to buy on a flat basis, and that mostly they buy on a hedged basis. But when the price is favourable, they may cover it on a flat basis.

Mr. PETERS: Has the price of barley been high this year over all?

Mr. MACDONALD: Yes, quite a bit higher than last year. I think last year it was down to about \$1.09, or \$1.10, and it is now up to about \$1.25 on the market.

Mr. PETERS: And is this true also for oats?

Mr. MACDONALD: Oats are up a little too; they are up higher than they were last year.

Mr. PETERS: Is the percentage of hedging the same this year?

Mr. MACDONALD: Not as much on oats, but especially with barley, they have not been hedging or buying it for option so much.

Mr. DOUCETT: What effect has price upon supply or demand? What puts it up or down?

Mr. MACDONALD: It is supply and demand. Lately the market has been quite firm on account of the maltsters buying. There has been a very good demand for malting, particularly to go to the United States, and as fast as it comes on the market it has been purchased; and also there has been a local Ontario feed demand.

Mr. PETERS: Have you found that since storage has been paid there has been a greater tendency on the part of the feed mills to hedge?

Mr. MACDONALD: No, not necessarily. I think this year more than any other year over the past number of years they will not hedge, because there is barley available at \$53.36 a ton; and you can get Ontario corn for \$49 to \$50, and there will be barley requirements later on in the fall. But as long as they can buy corn at that price, they will use corn. However later on in February and March there will be a demand for barley, and they could hedge, figuring that maybe the market might come off.

Mr. PETERS: It seems to me that the farmers, all things considered, are being taken advantage of by several factors; one or two of them are the facts that sufficient storage has always been a difficulty, because of the old argument which always was that grain could be brought in from western Canada by

rail from the head of the lakes at a hedged price. But if you could arrange for storage, it would mean that they could put into position enough grain for their requirements, because I do not think their requirements vary extensively. But if they are going to hedge, these storage payments which are being made are not of any advantage to the consumer of feed grains. Therefore, unless there could be some indication from the feed mills that this is not the case, this committee likely will have to put in an agency to supervise it, because I think there is no sense in paying storage in order to reduce the cost of feed gain; it looks like last year feed grain at Prescott and in this area was subject to fluctuation in the feed grain trade.

Mr. MACDONALD: Of course, if you had a basic price or a flat price for over all support, it would not fluctuate. But is grain is purchased by a feed dealer at today's market, and there is grain available, because of the position on the Winnipeg market, and because of the replacement cost, it fluctuates; if you bought grain now, there is nothing to stop somebody from going out and buying it at \$4 a ton cheaper in February or March. The feed dealer is not going to take a chance unless he hedges on the market, as long as fluctuation is likely to happen.

Mr. PETERS: The feed dealer in eastern Canada is taking advantage in both the feed policy and in hedging in purchasing, and also with no assurance that we are getting that storage cost which, in my opinion, was to allow for any fluctuation. There is no indication that this storage cost is going back to the consumer.

Mr. MACDONALD: As to storage cost, if, for instance, we bring grain down now and take a position on it, and if the storage was not being paid, our limit during the winter would be that we would have to add one cent a bushel for storage, or maybe one half cent per bushel per month over the winter for each month, up to \$1 a ton regardless of whether we hedged or not. If we hedged our limit and put on that much higher cost, our costs would then be that much higher during the winter, because we had to add storage and interest on it. There is nothing to replace it, but we are still based on the Winnipeg market.

Mr. PETERS: How did you work it before when you added \$1 per month? How did you work it when you did not sell it? How did you get that money back again?

Mr. MACDONALD: In a lot of places we never got it back. Over two or three years there was grain brought down by the grain trade for the feed dealers, and the one who brought it covered it for two or three years. There was grain which was cheaper in February and March than what you could have bought it for in October with all the carrying charges on it. People were taking losses on it because they had overestimated their requirements. Therefore, a lot of grain still was pending on navigation, with storage and interest charges which had to be paid, and we had to sell it at the opening of navigation at a price which was lower.

Mr. PETERS: In paying the storage does the government require you to indicate that this is passed on to the consumers? Is this a subsidy to whoever has grain rather than an effort to stabilize feed grain prices? Was not the paying of storage intended to stabilize feed grain prices in eastern Canada rather than to provide storage?

Mr. MACDONALD: Yes, to stabilize prices throughout the winter. Normally prices would rise in winter on account of the storage, but with this storage subsidy the prices should not be raised as much.

Mr. HORNER (*Acadia*): I have a supplementary question, if I might ask it. The paying of storage does not necessarily mean that the prices will not go up.

Suppose a feed mill operator orders, or is prepared to take an order of, grain at such and such a date. In other words, he buys it for delivery at such and such a date. If, because of the supply and demand, the price of grain goes up, he naturally has a product worth more money and he is going to charge more money. Therefore, the payment of storage charges does not necessarily mean that the price is going to remain level throughout the winter, but it provides a possibility that it might. It does not necessarily mean it will.

Mr. MACDONALD: That is right.

Mr. JORGENSEN: I would like to pursue the point. I was under the impression that the paying of storage charges was primarily designed to ensure a supply rather than a steady price. Is it not a fact? I want you to correct me if I am wrong, but my understanding is that the purpose of paying this storage was to ensure that feed suppliers kept sufficient quantities of grain in position over the winter period until the opening of navigation. There was a tendency, prior to this time, for people who were responsible for keeping this grain in storage to put in just a sufficient amount to carry them through to the opening of navigation. Sometimes they guessed wrong and were considerably short, depending on the demand that existed in the area, because this grain had to be brought in by rail, which carries with it of course a much higher price. It was to guard against this that the storage subsidy was put into effect.

Mr. MACDONALD: This is right, to enable whoever wants to have ample supply in position for the winter to do so. If they do not have to pay storage, there is less risk in putting it down.

Mr. JORGENSEN: So you do not mind making sure there is enough?

Mr. MACDONALD: There is still a risk because the market fluctuates.

Mr. JORGENSEN: But that problem is not as great.

Mr. PETERS: The other side of the coin is that the feed grain operator in Arnprior is short, whatever the carload loss would be, and he buys it from the head of the lakes. If he is only paying a certain percentage of the transportation cost, how would this raise the price?

Mr. JORGENSEN: Water rates are much lower.

Mr. PETERS: There is a breaking point between rail and water depending on the area.

(Translation)

Mr. MATTE: Do you think a government purchasing office would help to stabilize prices at a given period so that the farmers could better control their production cost? Do you think a government purchasing agency would make it possible to stabilize prices for the farmer?

(Text)

Mr. MCPHAIL: I suppose that if you get into a strictly controlled economy you could say it would have the power to do it. Personally, I do not feel that we want to get into that state. There are too many variables such as competitive products and so forth. I do not feel personally that that would be a satisfactory solution. At times you might have a level price but not necessarily the lowest price. I do not think it will be feasible to say that year in and year out it would be possible to have a stable price. There are too many variable circumstances. I would say we feel that this present system reflects the economic conditions generally, as regards both the finished product and the raw product. Eventually it brings things into a state of balance.

As I say, there may be people who would like to have everything under control, but I do not feel that that would contribute materially to the growth and development of our national economy and so forth. That is a personal opinion and I may be completely in error on that. I would like to invite comment from other members of our group who would wish to speak.

Mr. STIVER: I would agree with what Mr. McPhail has said as far as the levelling of prices is concerned. Everything is done in relation to the law of supply and demand, and I do not think anything governs business more efficiently than the law of supply and demand.

I wonder if at this time I may address some remarks to my friend across the way in regard to the storage subsidy. There is one thing we must not lose sight of. We talk so much about prices going up in the spring, but they also go down. Whether the prices go up or down, the farmer always enjoys the various subsidies, such as storage that is paid or freight that is paid. We must not lose sight of that. The government is making it possible for him to save, and this is reflected in the feed dealers' prices. This year most of the feed dealers hedged more than I have ever known it to happen because this great corn crop was hanging over our heads and it was an unknown factor. I think we were reluctant to commit ourselves solidly to quantities of barley and oats because of this large corn crop. What we did was wise because our worst fears were almost justified; in other words, corn at our local points just northeast of Toronto was selling the other day at \$48. As I have mentioned, barley is costing me \$53.36. You can see how wise we were to hedge in that respect.

The CHAIRMAN: Gentlemen, maybe we could review our position. I do not want to go past the lunch hour; on the other hand, I know members are anxious to ask further questions. Could I ask the members whether they wish to conclude this shortly or do they wish to come back this afternoon?

Mr. DANFORTH: Let us complete it this morning.

Mr. PETERS: The only question I want to ask is one regarding what Mr. Stiver has said. How do we as a committee know that the feed operators pass on this storage charge? Are there inspectors that can assure us that this has been passed on? I come from another area, but I am speaking about southeastern Canada and eastern Ontario. I come from northern Ontario where the situation is considerably different. We ship in by rail from Fort William and it does not cost us any more than shipping to the New Liskeard feed mill. There is some kind of an arrangement there. The cost of shipping to North Bay is the same as shipping to New Liskeard and yet the feed mill operators' argument is that it costs more to ship to North Bay than to ship the rest of the way. Nobody does this transshipping. Any feed mill would obviously ship a carload lot to that point, and yet they always boost the prices by saying there is a transshipment cost. There is not much argument about this. The federal government is paying most of the transportation cost, and yet this does not get to the farmer. How are we going to be assured that the storage cost is passed on?

Mr. STIVER: I do not know how much feed is sold in northern Ontario. As far as our area is concerned, I can assure you it is passed on to the farmer through the factor of competition. I could not boost up my prices, as you say, if my competitor is, say, \$5 a ton beneath my price. There is a saving to the farmer, and competition looks after it. Competition is very keen in our area.

Mr. WHELAN: Mr. Chairman, I wanted to ask Mr. Irvine a question in line with what Mr. Danforth has asked about the tariff. Are you aware that the Minister of Trade and Commerce made an announcement that the government has no intention of taking tariff off U.S. corn?

Mr. IRVINE: Yes, we have been advised of that fact.

Mr. WHELAN: My other question is this; I think one of your members said that the farmers did the selling of grain. I feel that the consuming public of the nation get that subsidy, not the farmer. We hear a lot of stories, and I think this has some merit but I am not saying I am for it. One of the stories is that we should abolish all subsidies on feed grain and leave it as free as could be, and then pay a premium on grade A hocks, red brand beef and limit the

amount of premium we would pay on, say, the first hundred hocks or the first fifty steers. Would anyone care to comment on this? Has anyone any thought on this?

Mr. McPHAIL: If I interpret your question correctly, it would seem that this would be a move to protect the small family farm of which we are speaking.

Mr. WHELAN: This is the idea behind the proposal.

Mr. McPHAIL: Whether we like it or not, I do not see how we can do that in our economy. We have to recognize other factors. Admittedly the family farm over the past years—I am proud to say I was raised on one—was considered a way of life rather than a way of making a living. There is certainly a lot of merit in that. Over the years our farm folk looked at their urban neighbours and have found there were many conveniences and comforts that they have been able to enjoy. The farm folk think they are entitled to them, and rightly so.

However, in view of the low profit return per unit of agricultural production we must recognize the fact that we are in the service of production now in our agricultural economy on this continent and that we have to treat our situation like that.

I do not know how such an economy is going to maintain all these hundreds of thousands of farmers who may be in a position where the volume of the economical unit is not large enough to compete. If we are going to try to keep those people operating, it is going to require a straight assistance program. I think we are going to see the family farm continued but it is going to be an entirely different type of operation from what we have seen in the past. This has got to be an economic unit, and I think that commercial enterprises taking over all the farming are not entirely justified. This transition is going to be painful to a lot of people. It is not only the farm people who are going to be hurt but all other people. It is going to have a great impact.

Mr. WHELAN: I think you are aware of this as it has been put forward at different times at farm meetings. Theoretically integration is not a good thing for the consumer and for the family farm way of life. Once they get control of a product, just like the Ford Motor Company, they can then control the whole market. We see it similarly in some of the European countries particularly those behind the iron curtain. I am thinking of the theoretical integration of state farm operations. You can see a movement there today to get away from it, because anyone working in a factory in those countries is much better off than one working on a state farm; and the same thing applies to working in a processing industry; there is more security for him, so they are running into difficulty.

Mr. DOUCETT: You should write a brief and pass it around to the members to read.

Mr. WHELAN: It would not hurt some of the members of this committee if I did so.

Mr. HORNER (*Acadia*): As a representative of the Ontario Feed Dealers Association could you give the committee some estimate of the amount of feed that the feed dealers handle in bulk in comparison to sack grain, for example? I am trying to arrive at economizing measures which can be implemented to cut down the cost.

Mr. MACDONALD: I am sorry but I cannot give it to you in actual figures. I know there has been a tremendous increase in the tonnage going out in bulk, particularly for poultry and hog producers, who are going into bulk, and they almost demand it. Bulking facilities are being extended all across the country.

Mr. HORNER (*Acadia*): Would you say that 50 per cent of the business in Ontario is done in bulk now?

Mr. MACDONALD: It would depend on the area. I know of areas where 95 per cent of the total tonnage is going out in bulk, and I know of other areas where it is going out in bag form.

Mr. HORNER (*Acadia*): Is there a direct relationship between the size of the farm and whether it takes delivery in bulk or not?

Mr. MACDONALD: Very definitely.

Mr. JORGENSEN: My question has to do with pursuing subsidies on grain coming in from western Canada. What policy would Mr. Macdonald suggest to prevent the farmer in eastern Canada from using corn as a substitute for grain if the freight rate subsidy were abolished? There is nothing to stop the eastern farmer from using corn.

Mr. MACDONALD: That is an entirely correct assumption. That is exactly what would happen. In fact, this year I know of some fairly large feed mills in not too distant areas from Toronto where they said they have not taken delivery of any western feed grain at all; they say they have enough corn to supply their high quality rations, and they think they have abundant supplies for their needs. I think we are getting to the point where there is developing a lesser degree of dependency upon western supplies of feed grain for our needs in Ontario. We felt that the subsidy would be equally beneficial to the western grain grower as well as to the Ontario feeder. There may be arguments pro and con, but I think it can be proven that that is exactly what would happen.

Mr. WHELAN: One thing I want to make clear is that this is not my own idea. This was suggested by other groups, that it had to be done. I just wanted to know whether it could be done.

Mr. JORGENSEN: I am not in a position to give opinions, so I must confine myself to asking questions?

Mr. FOREST: You say in your brief that it is difficult for you to comment on the proposed eastern feed grain agency, lacking firm knowledge of its powers; but if it were given authority to buy western feed grain at the best possible time and to store it, would it be possible for such an agency to provide the eastern farmer with feed grain at a cheaper rate?

Mr. MACDONALD: I cannot see how that could be done. We feel it is a matter of buying and handling it at the least possible cost. I am sure that most of our handling is in the wholesale end of it, and I could quote you prices which represent just a fractional margin. That would be the only relationship that this board would have, and I do not see how they could do it. They would have to obtain their supplies from the western wheat board, and just set up a control over all the supplies of western Canada, and they are obligated to sell the grain to the best possible advantage to the western farmer. They would be wanting a high price, even when offering it to the eastern feeder. And then I think you would have a complicated situation. There would be difficulty facing the western feed board, if they were prepared to make concessions to the eastern feeding agency. I do not think it would improve it. What we are considering is a straight handling operation. We do not think any agency could handle it more economically than it is being done by the present trade, and without any expense to the government.

There are certain expenses involved in maintaining the western wheat board, and if an agency were set up, it would have to come out of the farmer's price. We suggest it is being done at the least possible cost under the present method. If you give added powers to a suggested agency, we think they could get a better deal from the western wheat board than at present, and you would be in position to get lower prices. But I cannot see the western wheat board avoiding their responsibility to the western farmer. We agreed that they have an obligation to and are responsible to the western farmer. All we ask for is an opportunity to compete with them at least for the grain.

Mr. BEER: Mr. Macdonald mentioned that farming in some cases was a way of life, and not a way of making a living. This probably is all too true, and it is

all too unfortunate. There is a possibility that by making this feed grain assistance available, it does contribute to the bigness of some operators, while it works to the disadvantage of the little operator, because we do have a lot of small farmers in Canada who cannot change their positions or locations.

I think it is fair to say that there are operators in Canada, who if they did not have anything left at the end of the year but government assistance on the grain that they consumed in their operations, would have a pretty decent income. I do not mean the little farmer who uses just a little bit of western grain, and who when it came Christmas time if he gave it all to his children it would not amount to very much. So there probably is the fact that this assistance is of benefit to the big fellow, and it not only makes it that much easier for him to beat out the little fellow, but it makes it more difficult for the little fellow to compete with the big fellow. Yet he cannot get out of his position, because we have no place left in our society into which he can be incorporated at this particular time. It is quite probable that the government does have a little bit of responsibility to even this out, and it is this particular policy which has contributed to the hardships of the small farmer. That is why it is felt that we should take a pretty close look at it.

Mr. DOUCETT: I would like to move a very hearty vote of thanks to the members of the Ontario Retail Feed Dealers Association and the grain and grain products section, of the metro Toronto board of trade and to the Ontario Elevators Association who have taken time away from their busy lives to come here this morning and give us the benefit of their very informative brief which they have presented, and to mention that they have very ably and in a forthright manner answered each and every question asked of them.

The CHAIRMAN: Thank you, Mr. Doucett. I am sure we all concur in that sentiment. I personally wish to thank all of you gentlemen as well.

We shall meet on Tuesday morning next with witnesses from Quebec and the maritimes. We will then shortly be in a position to consider whether we shall report, or when we shall report. Now, if it is agreed, the meeting is adjourned. Thank you.

APPENDIX 1

STORAGE CAPACITY OF COUNTY ELEVATORS IN SOUTH-WESTERN ONTARIO
(ESSEX, KENT, ELGIN, LAMBTON, MIDDLESEX AND SOUTH HURON)

ELEVATOR REPORTING IN 1961 SURVEY*

	Capacity		1961 bu.	% incr. 1950-1955	% incr. 1955-1961	Under constr. 1961	% incr. 1955-61 including u/c 1961
	1950 bu.	1955 bu.					
All S.W. Ont.....	1,156,900	2,299,900	3,358,800	99.0	46.0	447,000	65.5
Essex.....	183,100	202,200	402,400	10.4	99.0	10,000	104.0
Kent.....	609,700	1,149,600	1,792,900	88.6	56.0	248,000	77.5
Elgin.....	133,000	325,000	380,000	44.4	16.9	—	16.9
Lambton.....	37,600	88,500	149,000	135.4	68.4	—	68.4
Middlesex.....	83,500	186,600	265,500	123.5	42.3	—	42.3
South Huron....	110,000	348,000	369,000	216.4	6.0	189,000	60.3

* Include elevators reporting in 1961 but not in 1955. The 1956-1961 comparison takes into account some changes in ownership.

ELEVATORS NOT REPORTING IN 1961 SURVEY

	Capacity 1955 bu.	% of 1955 Capacity not reporting 1961
All S.W. Ontario.....	392,500	16.3
Essex.....	7,500	3.6
Kent.....	215,000	15.8
Elgin.....	—	—
Lambton.....	40,000	31.1
Middlesex.....	130,000	41.1
South Huron.....	—	—

HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964

STANDING COMMITTEE

ON

Agriculture and Colonization

Chairman: RUSSELL C. HONEY, *Esq.*

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 13

Respecting

PRICES OF FEED GRAINS

TUESDAY, NOVEMBER 24, 1964

WITNESSES:

Mr. William A. Flemming, Truro, N.S.; Mr. Cyrice Godbout, President, Grand Falls Milling Co. Ltd., Grand Falls, N.B.; Messrs. Lucien Lafortune, President, Arnold Scott, J. D. McAnulty and René Aubrey, Directors, Association of Feed Manufacturers (Eastern Division), Montreal, P.Q.; From the Department of Agriculture: Mr. C. R. Phillips, Program Co-Ordinator.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1964

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Fairweather,
Forbes,
Forest,

Forge,
Gauthier,
Gendron,
Groos,
Gundlock,
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Huron*),
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Kelly,
Konantz (Mrs.),
Korchinski,
Langlois,
Laverdière,
Lessard (*Lac-Saint-
Jean*),
Madill,
Mandziuk,
Mather,
Matte,
McBain,

McIntosh,
Muir (*Lisgar*),
Mullally,
Nasserden,
Noble,
O'Keefe,
Olson,
Peters,
Rochon,
Roxburgh,
Southam,
Tardif,
Temple,
Vincent,
Watson (*Assiniboia*),
Watson (*Châteauguay-
Huntingdon-
Laprairie*),
Webb,
Whelan—60.

(Quorum 20)

D. E. Levesque,
Clerk of the Committee.

ORDERS OF REFERENCE

House of Commons,
MONDAY, November 23, 1964.

Ordered,—that the names of Messrs. Kennedy, McCutcheon and Loney be substituted for those of Messrs. Fairweather, Southam and Mandziuk on the Standing Committee on Agriculture and Colonization.

TUESDAY, November 24, 1964.

Ordered,—that the name of Mr. Saltsman be substituted for that of Mr. Barnett on the Standing Committee on Agriculture and Colonization.

Attest.

LÉON-J. RAYMOND,
The Clerk of the House.

MINUTES OF PROCEEDINGS

TUESDAY, November 24, 1964

(16)

The Standing Committee on Agriculture and Colonization met this day at 10:30 o'clock a.m. The Chairman, Mr. Russell C. Honey, presided.

Members present: Messrs. Alkenbrack, Asselin (*Richmond-Wolfe*), Beer, Cardiff, Choquette, Crossman, Cyr, Danforth, Doucett, Éthier, Honey, Horner (*Acadia*), Jorgenson, Kennedy, Laverdière, Loney, Matte, Muir (*Lisgar*), Mullally, Nasserden, O'Keefe, Peters, Rochon, Tardif, Watson (*Châteauguay-Huntingdon-Laprairie*) and Webb—26.

Witnesses: From the *Association of Feed Manufacturers (Eastern Division)*: Messrs. Lucien Lafortune, President; J. D. McAnulty, Arnold Scott and René Aubrey, Directors; From *Grand Falls Milling Co. Limited*: Mr. Cyrice Godbout, President; from Truro, N.S., Mr. William A. Flemming; From the *Department of Agriculture*: Mr. C. R. Phillips, Program Co-Ordinator.

In attendance: From the Department of Forestry: Mr. Benoit Lavigne, Director of Feed Grains.

As requested by Mr. Danforth at a previous meeting, it was agreed that a table showing "Comparison of prices of Feed Rations at any specific date through Ontario, Quebec and the Maritimes" be appended to this day's evidence. (*See appendix 1*).

The Chairman introduced the witnesses and Mr. Flemming read a short brief; the Committee then proceeded to the questioning of the witnesses.

It was agreed that Mr. Flemming's brief and tables comparing freight rates and feed prices be appended to this day's evidence. (*See appendix 2*).

Mr. Muir (*Lisgar*) moved, that comparable information on retail prices of feed rations obtained for Mr. Danforth, from the Department of Agriculture for the Eastern regions of Canada also be provided to the Committee for each of the three Prairie provinces and British Columbia.

As this information is not readily available it will be appended to the Committee's Minutes of Proceedings and Evidence, Issue No. 14.

The examination of the witnesses being concluded, the Chairman thanked them on behalf of the Committee.

At 12:30 o'clock p.m., the Chairman adjourned the Committee to the call of the Chair.

D. E. Levesque,
Clerk of the Committee.

Note—The evidence, adduced in French and translated into English, printed in this issue, was recorded by an electronic apparatus, pursuant to a recommendation contained in the Seventh Report of the Special Committee on Procedure and Organization, presented and concurred in, on May 20, 1964.

EVIDENCE

TUESDAY, November 24, 1964.

(Text)

The CHAIRMAN: I think we now have a quorum. Just before I introduce the witnesses this morning I wanted to make this comment for the information of members of the committee. Your steering committee delegated the matter of obtaining witnesses from eastern Canada to three of our members and I want to congratulate them on the very good work they have done in this respect. Dr. Danforth has lined up our witnesses from Ontario. We had some of them here last week and there may be one more meeting of Ontario witnesses on December 3. This is subject to confirmation from Mr. Danforth.

Mr. Mullally has been kind enough to arrange witnesses from the maritimes and we have two gentlemen here this morning from the maritimes whom I will introduce in just a moment. Mr. Asselin has been good enough to arrange witnesses from the province of Quebec. I just wanted to mention for the record that invitations were extended for today's meeting to Mr. Gilles Turgeon, manager of the Sherbrooke co-operative and to Mr. Renaud Rioux who is a feed merchant in St. Eloi, in Riviere du Loup county. Neither of the gentlemen acknowledged the invitation so we have not for this reason got them with us this morning. We do have four other gentlemen from the province of Quebec. We are very pleased to have them with us.

Gentlemen, just before I introduce the witnesses, Mr. Danforth had a comment.

Mr. DANFORTH: Mr. Chairman, I would like to bring to the attention of the committee that at the last constituted meeting of this committee I requested some information from the Department of Agriculture. I requested that we have provided for the information of the committee the prices charged on feed rations clear across Ontario and Quebec and the maritimes, picking out designated districts and giving us the comparable feed costs of oats, grain and feeds at a particular time.

The department has been kind enough to provide this information to me for the months of September and October. If it is the wish of the committee I would be glad to furnish this information to be included in the proceedings.

The CHAIRMAN: Is it agreed that this information be appended as part of the proceedings?

Agreed.

The CHAIRMAN: I think the clerk has a copy of that, Mr. Danforth, so that will be appended. Thank you very much.

Gentlemen, may I introduce the witnesses this morning. The gentlemen on my right are from the Association of Feed Manufacturers.

The first gentleman here on my right is Mr. Lucien Lafortune, president. Then we have Mr. J. D. McAnulty, a director; Mr. René Aubrey, a director and Mr. Arnold Scott, a director. Just around the corner of the table, from the Grand Falls Milling Co. Ltd., Grand Falls, N.B., Mr. Cyrice Godbout, president and then an independent feed merchant from Truro, N.S., Mr. William A. Flemming. Mr. Flemming has some information he would submit to the committee. You all have mimeographed copies. I think with the leave of the committee

I will ask Mr. Flemming to read only his letter and then if the committee agrees the remaining sheets appended to his letter may be appended as an appendix to the proceedings of this morning. Is that agreed?

Agreed.

The CHAIRMAN: Then, Mr. Flemming, would you be kind enough to read your letter to the committee.

Mr. WILLIAM A. FLEMMING (*Feed Merchant, Truro, N.S.*): My letter reads: Mr. Chairman and members of committee on agriculture and colonization, House of Commons, Ottawa.

Gentlemen:

I am here as a private individual in the feed business since 1928 and operating a small independent mill since 1956, where over 90 per cent of purchases is sold as balanced rations to farmers.

Our supplies are purchased through maritime grain brokers on a delivered basis, grain ex Halifax, mill feeds and proteins ex west.

Since the assistance plan was organized in 1941, there have been a number of changes greatly increased with the opening of the seaway in 1959, which affected laid down costs in a large number of maritime points.

Our farmers need a freight assistance policy—so plans can be made for at least five to ten years ahead. The present uncertainty of feed costs hinders expansion of food production in milk, meat, and poultry products.

The attached information on freight rates and feed prices in comparison with Montreal show our position. Our manufacturing costs are reasonable and with reduced freight charges, we can compete with the larger mills of Canada. Our recommendations are attached.

Faithfully yours,

Wm. A. Flemming.

The second sheet, gentlemen, and I do not want to take up too much of your time, deals with the freight rates ex Halifax and ex Prescott to points in Nova Scotia and there is a very wide difference in the rates charged for the distances. I am 65 miles from Halifax. My rate is 15 cents. Go another eight miles towards Halifax it is 22. Go another seven miles and it is 10, another seven miles and it is 10. Go north of Truro 51 miles and the rate instead of being equal to Truro is 26 cents. Scotsburn is 20, Pictou is 20. There is a wide divergence in your freight charges which means the truckers are coming in and taking the business. I wish to thank you very kindly for inviting me here and anything I can do to help I will do my best. Thank you.

The CHAIRMAN: Thank you very much, Mr. Flemming. Gentlemen, would you like to proceed. If you have questions of the witnesses would you indicate, if you would, the particular witness you would like to direct your question to.

Mr. MUIR (*Lisgar*): Before the questions I would like to make a motion that the Department of Agriculture give us the same comparable figures for the three prairie provinces and British Columbia on the same feeds that we have now for eastern Canada. This committee is set up to compare prices of feed grains as between the east and west and without this additional information I would consider this to be useless.

The CHAIRMAN: I think that is very well taken. Does the committee agree that this motion will be made?

Agreed.

The CHAIRMAN: Thank you very much. We will see that this is done.

Mr. DANFORTH: I would like to direct a question to Mr. Flemming. Following the last observation you made, Mr. Flemming, as to the business coming to the truckers I would like to know are the truckers' rates much more reasonable or are they just enough under to provide adequate competition to the railways?

Mr. FLEMMING: I can just answer that by saying when we quote price of grain at Halifax the price is loaded on truck and it costs a cent and a half a bushel loaded on truck. If we go by rail we save a cent and a half. When we buy oats out of Halifax we buy by car load. We buy barley and wheat by truck load. We have to save every penny we can in the feed business.

Mr. DANFORTH: May I put the question another way, in order to get the principles that I wish on the record? Is there the same fluctuation in truckers' rates as there is in rail rates as described in the brief?

Mr. FLEMMING: No, no. Trucks go more or less on a mileage basis.

Mr. DANFORTH: It is more uniform.

Mr. FLEMMING: I would say per ton, per mile, much more uniform.

Mr. DANFORTH: If you will permit me to refer to another part of your submission, Mr. Flemming, and one I am very interested in, recommendation No. 5 where you state: "In order to compete with Ontario and Montreal mills I respectfully urge a subsidy on vegetable proteins and Ontario corn".

My question is this, Mr. Flemming: if there was a comparable subsidy on the freight of Ontario corn to western feed grains, in your opinion, would more Ontario corn be used?

Mr. FLEMMING: Oh, absolutely, absolutely.

Mr. DANFORTH: Would this put us in a much better competitive position with corn coming into the maritimes from the United States?

Mr. FLEMMING: There, sir, is a pretty tough proposition. Two or three years ago when wheat was very high there was a large cargo of United States corn loaded at Portland, Maine, for Halifax, 1500 or 1600 tons. Later on that season there was a large shipment from Norfolk that came to Halifax. The United States corn was paying a duty, at the present time paying exchange. What corn we are using now, we have to use Ontario corn.

Mr. DANFORTH: There was another part of your recommendation about space reserved for maritime grain in the national harbours board elevators. Is there a real problem as far as obtaining grain is concerned owing to the fact there is not enough space reserved in the elevators.

Mr. FLEMMING: Yes. In recommendation 4 the second line, after, "space required by all maritime manufacturers"—I would like to add the words "or importers" so anyone can take in a carload of bulk grain. I forgot about that until I was reading it yesterday.

Mr. DANFORTH: When you speak of "anybody" would the feeder be in that position?

Mr. FLEMMING: If he was large enough.

Mr. DANFORTH: Is that what you mean by importers?

Mr. FLEMMING: Yes.

Mr. DANFORTH: In your recommendation here, Mr. Flemming, I see no recommendation, unless I have missed it such as has been recommended to the committee before, that a committee or an agency or a bureau be set up to regulate the feed supply business. Is it your opinion—and I do not want to put words in your mouth—your considered opinion that there are adequate facilities now to look after the needs of maritime feeders whom you are concerned with,

provided that the freight assistance program was continued or enlarged and adequate storage space was provided? Do you feel that this in itself would be the solution to your major problems?

Mr. FLEMMING: Well, I say there is not adequate storage space in Halifax. The reason I say that is in making up cargoes for Halifax there is nobody that can sell enough barley, oats and wheat feed to load one of the bigger ships. What they do, they deliver what they can use on the domestic market and fill up with export wheat. There is the possibility for 5,000,000 bushels. They go with 2,500,000. One of the men I was talking to said we need at least 3,000,000 bushels. There is not enough space in Halifax to do it. Unfortunately we cannot use the elevators at Saint John, New Brunswick because they have not got the marine facilities. Last fall we had a situation where we were asked to estimate what we wanted. We estimated so many hundred tons. We only got half our barley confirmed. Why? There had been a ship loaded out at the head of the lakes to go to India or China or somewhere. When the boat was coming down the St. Lawrence the order fell through. They took it into Halifax in the space that had been assigned for the rest of us. I think it has been moved out since.

Mr. DANFORTH: I appreciate that part of the problem, Mr. Flemming. My question is if you have these two suggestions confirmed, number one that the freight subsidy on grain be either continued or expanded and number two, that adequate storage be provided, do you feel in your mind, as has been recommended, that there would be a necessity of forming a committee or bureau to regiment or control the feed going into eastern Canada and British Columbia or is it your opinion that they would solve the problem as far as the feeder is concerned?

Mr. FLEMMING: As far as we are concerned we do not want an agency, if that is what you mean, because we have to buy other things besides grain from our brokers. If we put them out of business where are we going to buy the other stuff?

Mr. DANFORTH: You feel that an agency could actually be a detriment?

Mr. FLEMMING: I do.

Mr. DANFORTH: Even if you had adequate representation on the agency?

Mr. FLEMMING: I would not like to say what adequate representation would be. If it is on a tonnage basis it would not be adequate.

Mr. DANFORTH: There was another part of your submission that aroused my curiosity. You stated that the brokers deal with other commodities you are interested in with the exception of grain.

Mr. FLEMMING: No, no. We buy our grain, our mill feeds and our proteins all through the same brokers.

Mr. DANFORTH: I see. You feel if an agency was set up to direct the grain trade that the brokers would not then be in a position to supply you with the concentrates?

Mr. FLEMMING: They would be, but it would cut out a nice piece of their business and they would not be competitive.

Mr. DANFORTH: There is one other thing and then I will pass. I know there are other members that would like to ask questions. I note from your brief, Mr. Flemming, and I must compliment you on its completeness and its briefness and the way you got down to essentials. It is a pleasure to have a brief like this. The one thing I would like to have is additional information as I do not see any date or anything that would show any particular time when these figures were taken. For the record can you indicate whether these figures are based on this year or last year or any particular time of the year?

Mr. FLEMMING: Based on a week ago.

Mr. DANFORTH: These rates?

Mr. FLEMMING: Yes.

Mr. DANFORTH: That would be the week of November 15?

Mr. FLEMMING: Your Mr. Levesque contacted us the 7th or 6th of November and postponed the meeting to today. I got busy on it. I do not say that these rates are 100 per cent correct because I was told there was a little difference between Toronto and Montreal. I do not know. I certainly got them from the railway and they were supposed to be accurate.

Mr. DANFORTH: Can you indicate when your brief was composed?

Mr. FLEMMING: Within the last 10 days.

Mr. DANFORTH: Which would be November, 1964?

Mr. FLEMMING: Absolutely.

Mr. DANFORTH: Thank you.

The CHAIRMAN: Thank you, Mr. Danforth.

(Translation)

Mr. CHOQUETTE: I would like to put a few questions. If you will allow me a preliminary remark, Mr. Chairman. If the Committee has had to wait before getting down to its deliberations, it is because there is a host of other committees sitting and it is very unfortunate that our parliamentary system works this way.

I think it is in order. I have explained the reason why there was no quorum. The question I want to put is this; in the case of a sale, could you indicate what the rate of interest is? Do you hear me properly? Can you hear me all right?

Then, as an opening remark, I am going to congratulate you for such a concise report and if—is that all right?

If I speak in French, do you hear the simultaneous translation?

I am happy to see all the difficulties met with when we want to express ourselves in French. It helps our English-speaking friends to understand French Canada's real problem in making itself understood. Here, Mr. Chairman, I want first of all to congratulate Mr. Flemming on the concise and very instructive report he has submitted to us and I simply wanted to ask a few questions. This is the first one: In the matter of credit sales of feed, can you indicate the interest rate charged and also indicate whether there is any discount when the sale is a cash sale.

(Text)

Mr. FLEMMING: We set up a cash price per bag and then we give a discount of five cents on ton and a half lots, 10 cents on three ton lots. We take off one per cent for cash paid within say 10 days. After an account is 45 days old we charge interest at seven per cent.

Mr. DANFORTH: Per annum?

Mr. FLEMMING: Yes, per annum.

(Translation)

Mr. CHOQUETTE: In the preamble to your brief you emphasize that you have been in business since 1928, which proves that you have wide experience in your field. Have you noticed, or do you notice even at the present time that breeders buy in insufficient quantities or should they buy in greater quantity? I want to come back to the question of storage to see whether, in your experience, storage facilities are adequate in Eastern Canada.

(Text)

Mr. FLEMMING: I did not get that just as well as I could have. We started in 1928 with the feed business and also exporting fair quantities of potatoes.

After the war the potato trade dwindled considerably and we built a mill. Without doing our own manufacturing we could not exist at all. It is shown here very plainly on prices where I say Flemming is selling for \$80 a ton 16 per cent hog grower competing with \$82 at Truro, \$74 in Montreal and \$73 in Toronto. In a great many cases our feed is sold at less than quotations from the mills in Montreal for cargo lots.

(Translation)

Mr. CHOQUETTE: In your opinion, to the best of your knowledge, have the payment of winter storage subsidies and the new policy which has been in force since 1963, payment of winter storage subsidies for grain, made an adequate contribution, a contribution such that the situation has really been improved?

(Text)

Mr. FLEMMING: Absolutely. This is free storage and no interest charges after the first of January. It has been a remarkable help because it assures us of buying early enough to get our grain into Halifax without having to pay storage and interest.

(Translation)

Mr. CHOQUETTE: Do you prefer the system of payment of transportation subsidies according to regions or do you prefer the old system of payments according to point of destination by rail?

(Text)

Mr. FLEMMING: I would say whichever way will get it to us cheapest. I think our grain can come to us cheapest from Halifax, either by rail or by truck.

(Translation)

Mr. CHOQUETTE: As far as fluctuation in feed prices is concerned, again to the best of your knowledge, would you tend to attribute this price fluctuation to the basic grains, or rather would it be due to the ingredients which go to the making of feeds?

(Text)

Mr. FLEMMING: There is a question. In Halifax we tell them how much grain we want and we can purchase it on the Winnipeg market any day that we care to purchase. We purchase two or three months ahead. When we come to mill feeds and proteins we have a feeling, in the east, at least, that the trade charge only what the traffic will bear. There is no question about it. The maritimes uses a terrific quantity of mill feeds and the mill feed market is just what they can get for it in the maritimes. On the prices I have quoted here I have a spread of \$2 or \$3 a ton. This is a price for the same day, but a different place.

(Translation)

Mr. CHOQUETTE: Manufacturers of feed grain are often accused of being responsible for a production surplus which tends to lower prices. Do you categorically reject this accusation?

Feed manufacturers are often accused of being responsible, if you like, for the lowering of prices through production surpluses, due to the over-heavy production to which they are given. Is this a fair charge? Are the complaints according to which . . .

(Text)

Mr. FLEMMING: This is a charge we would have to say is true where the mills, particularly the larger mills, go into integration and practically own the farm and the birds and the farmer is just a servant for them. This has been one of the curses of the feed business the last years.

(Translation)

Mr. CHOQUETTE: I have one last question. You are no doubt aware of the problems of agriculture in the east, more particularly agriculture in the province of Quebec. The setting up of a storage system has been loudly called for. Do you believe our warehousing facilities are adequate in the province of Quebec proper?

(Text)

Mr. FLEMMING: Which facilities?

(Translation)

Mr. CHOQUETTE: Warehousing facilities in Quebec.

(Text)

Mr. FLEMMING: I am not prepared to answer that. I am of the opinion that it is. I do not know what grain has been ordered for shipment overseas early next spring.

The CHAIRMAN: I wonder, Mr. Choquette, if Mr. Lafortune might give his answer on that last question.

(Translation)

Mr. LUCIEN LAFORTUNE (*Président, Feed Grains Manufacturers Association—Eastern Division*): Mr. Choquette, you are wondering if at the present time there are enough storage facilities in Montreal. As far as I am concerned, no, although we can store millions and millions of pecks of grain in our warehouses in Montreal. The problem, at the present time, is that we have in Montreal 267 wagons of corn which came from Ontario and they are on the rails at the present time.

At the present time we have grain on the rails for which we have to pay storage charges and, according to the report we received yesterday, the cars will certainly not be unloaded for another two weeks yet. Why? Because there are 160,000 pecks of corn from Ontario for export, 100,000 pecks of Durum wheat for export, 150,000 pecks of soya beans for export and, this year as in past years, exports are given preference.

Then, if you calculate what those cars will cost to-day in storage we shall certainly have to add 10, 15 and perhaps 20 cents to the cost price per hundredweight for all those cars of corn. This proves to you once more that in Montreal there are not enough storage facilities if we take domestic and export grain into account.

Mr. CHOQUETTE: Moreover, for those who insistently claim new storage facilities, the project they are promoting is rather of such a kind as to set up warehouses elsewhere than in Montreal. Would this fill the gap you complain of? Would you require the new storage facilities to be set up in Montreal or in the area?

Mr. LAFORTUNE: That depends—

Mr. CHOQUETTE: Because, in Lotbinière, I represent the constituency of Lotbinière, you understand, there were studies on data by the Déchaillons Chamber of Commerce, which is situated in Lotbinière county, and several of the local agricultural economists are of the opinion that warehouses should

be built in that region. You have the county of Nicolet, which is a predominantly agricultural county, Yamaska, you have Lotbinière, which is essentially rural. There is no town, there are only villages. Again, is there not a concentration of warehouses in the city of Montreal? Would it not be wise to decentralize a little.

Mr. LAFORTUNE: It would be fair to say, Mr. Choquette, that everyone is looking out for the interest of his own parish.

Mr. CHOQUETTE: That's true.

Mr. LAFORTUNE: I imagine your electors are going to prefer elevators in your district.

Mr. CHOQUETTE: In any event, I am going to send them the Committee report in which the questions that I have asked will be included. One last question. Hog breeders have a very grave problem, because, they are not actually making any profit. It takes six bags of feed to fatten a pig at \$3.60, \$3.65 the sack. There is the starting feed which costs upwards of \$5.00. Say seven sacks of feed. They sell the hogs, once they are ready for the market, they weigh from 160 to 170 pounds, at 25 or 26 cents a pound. Losses are to be expected. So they are, in effect, not making any profit. I want to ask your opinion although you are not obliged to give it. Do you believe that the government should institute a premium on grade "B" hogs or do you share the opinion of those who think that the best possible production should be promoted and premiums maintained only on grade "A" hogs? Recent statistics have established, I believe, that 38% of the pork produced are grade "A". Now that means that 62% are grade "B", "C", etc.

(Text)

Mr. JORGENSEN: Mr. Chairman, on a point of order, I do not like to place a limit on the scope of the questioning, but I think we are going a little bit too far. Our terms of reference are to look into the matter of the difference in prices between those received for feed grain by the western producers, and the prices paid for that feed grain by feeders and users of it in the eastern provinces. I think we are going quite a bit beyond our field, and I think we are getting beyond our terms of reference.

(Translation)

Mr. CHOQUETTE: Perhaps he could have answered yes or no. That would have been shorter than the point of order raised by my honourable friend. Moreover, if he wanted to argue the point of order, there is a relationship established very clearly between the question raised and the problem being discussed, because if there is a price variation, could not the government narrow it by coming to the assistance of eastern farmers and setting up an additional subsidy. If you prefer not to answer, don't answer, I shall see you presently.

Mr. LAFORTUNE: I think I shall pass—

(Text)

The CHAIRMAN: I think this has some relationship in the questioning, but I do not think we should pursue it too much further.

(Translation)

Mr. CHOQUETTE: If the witness's answer is concise, would you allow him to answer, Mr. Chairman?

(Text)

The CHAIRMAN: Yes.

(Translation)

Mr. LAFORTUNE: I believe, Mr. Choquette, there is some advantage in giving a premium for grade "A" hogs. Because in that way the farmer is encouraged to produce quality. Otherwise, the good farmer pays for the bad one.

(Text)

Mr. DANFORTH: I have a supplementary question, but before I ask it, I notice the translation of the remarks made by the last witness, was to the effect that there were wagons of corn on which they were paying demurrage. I think the inference is intended to be that there were train carloads.

Mr. LAFORTUNE: There are 267 cars of corn right now at Montreal.

Mr. DANFORTH: I appreciate that, and I appreciate it that my question was supplementary. Did I understand Mr. Flemming to state that his prices on some manufactured feeds are the same as or lower than the prices at Montreal for the same feed at their mills; that is to say, that it was as much as or below, your price? Was this the intent of your statement, or did I misunderstand you?

Mr. FLEMMING: Let us take a 20 per cent laying mash. They may sell this to the farmers for \$2.50 a 50 pound bag; that is, if we are buying, and if they were selling to the farmer, he would pay \$2.50 for a 50 pound bag. However our price is \$2.65, and if at wholesale, he would pay only \$2.50; and if he paid cash, he would get one per cent off.

Mr. DANFORTH: You say that your list price is \$2.65?

Mr. FLEMMING: Yes.

Mr. DANFORTH: How does that compare with the Montreal price?

Mr. FLEMMING: If the farmer bought in carload lots at Montreal, he would pay \$2.51.

Mr. DANFORTH: So I was mistaken by understanding that there was that much difference.

Mr. FLEMMING: Oh, yes, the difference there is away higher; for 16 per cent dairy rations of top quality, the Montreal price delivered to us is \$3.92. Our price is \$3.90. The farmer may buy it for \$3.75, and if he buys it in three ton lots he would pay \$3.60 at Truro. I believe the price I gave you from Montreal would be the price delivered at Truro. I may have been confusing you there.

Mr. DANFORTH: Yes. I understood you to say that the Montreal quoted price was \$3.90.

Mr. FLEMMING: That is \$3.90 delivered at Truro, where they would get the freight assistance.

Mr. DANFORTH: I was wrong in my assumption. There is no instance where the price at Montreal would be the same as, or more than, your price, I mean, for the goods in which you deal particularly, that is, the high protein rations.

Mr. FLEMMING: It would be the same or more. Going to the farmer our price would be below the Montreal price, but it would not be down to their carload price. We cannot operate out of Montreal at 5 cents per hundred pound bag any more.

Mr. DANFORTH: You say it would be below the Montreal price?

Mr. FLEMMING: No, no. If you are taking the price f.o.b. Montreal, no, it would not be below it.

Mr. DANFORTH: It would be a fair assumption to say that in any of these instances, there is always and without exception an advantage on the freight, and that in no instances are the prices at Montreal above or between your differential in price, which has to be taken into consideration?

Mr. FLEMMING: Yes.

Mr. DANFORTH: I am trying to ascertain if there are any instances of the Montreal area mills taking an excessive price.

Mr. FLEMMING: No. Look at our second last page; oats at Toronto are \$56; at Montreal they are \$58, and at Truro they are \$61. Barley at Toronto is \$57; at Montreal, \$59, and at Truro, \$62.

Wheat at Toronto is \$70; at Montreal, \$73; and at Truro, \$73 and \$74.

Corn in bulk is \$56 at Toronto, \$70 at Montreal, and \$77 at Truro, while our list price is \$74 for corn brought out of Halifax some time ago.

Sixteen per cent hog grower at Toronto is \$73; at Montreal, \$74; at Truro, \$82; while our price is \$80.

Mr. DANFORTH: Why is this?

Mr. FLEMMING: When they changed the freight assistance on September 1, I bought a couple of 600 bag cars of No. 2 wheat screenings, and I am using them. I am giving you the prices there.

Mr. DANFORTH: With the permission of the committee I would like to ask one other question: Why is there the difference between corn at Montreal and Truro of \$7 a ton, if wheat is the same and has the freight subsidy?

Mr. FLEMMING: Your rate on corn from Chatham to Truro is \$1.06 a hundredweight; and on grain from the head of the lakes to Truro it is \$1.07.

Mr. DANFORTH: That is paid by the government.

Mr. FLEMMING: The difference would be \$1.07, and at the present time the government would pay only 76 cents. They are not paying it today, not until December 1, because they are making us use as much Halifax grain as possible now.

Mr. CARDIFF: There is a subsidy on Ontario grain from Chatham?

Mr. FLEMMING: Oh, no, none whatsoever; and in the west I understand the government is paying a subsidy on corn from Manitoba. I do not say it as a fact, but I am told it. I understand that last winter there was a special rate on corn to Quebec points which was somewhat below ours.

(Translation)

Mr. MATTE: Speaking of storage—

(Text)

Mr. HORNER (Acadia): I have a supplementary question.

The CHAIRMAN: Excuse me, there is a supplementary question.

Mr. MATTE: My question is supplementary too.

(Translation)

Speaking of storage, an additional question, are the large quantities presently on the rails for export, are they regular each year or are they exceptional or scheduled over the whole year?

Mr. LAFORTUNE: Pardon me, Mr. Matte, at the present time, the two hundred and sixty-seven cars on the rails are not for export. They are intended for the home market. They are our cars for the home market. At the present time as far as I know there are none on the rails for export, because unfortunately preference is given to export grains.

Mr. TARDIF: You say unfortunately, why?

Mr. LAFORTUNE: Well this is why, it is good to earmark grain from western farmers for export. Each one advances his own parish's claims. If we buy local grain which comes from Ontario or from the west or elsewhere, farmers will not be able to unload those cars. There is a gap. We are, at the present time, obliged to spend \$8.00 a day per car.

Mr. TARDIF: That is unfortunate. As far as possible, we should not adopt regulations which would affect the economy of the country as a whole because the country is everybody's parish.

Mr. LAFORTUNE: I agree, but first come first served. Our cars have been on the rails for two weeks, and there are others on the way which will be given priority. That does not seem right to me.

Mr. TARDIF: Not only that, it is almost scandalous. What we should do is to increase the number of elevators, so as to avoid storage for cars which stay too long on the rails.

Mr. LAFORTUNE: I agree entirely.

Mr. MATTE: Is this situation usual or exceptional?

Mr. LAFORTUNE: Each year, we encounter difficulties with grain at the close of navigation.

Mr. MATTE: For about how long? A month?

Mr. LAFORTUNE: About a month.

(Text)

The CHAIRMAN: Are these western grains that you speak of?

Mr. LAFORTUNE: No, right now there are 267 cars of our corn coming from Ontario. The feed companies have to pay for the demurrage, and we do not have anything to do with it. We asked the railways to unload these cars. They would be willing to do so, but there is no room right now in the harbour, so we are the ones who suffer, and there is nothing we can do about it.

Mr. PETERS: How much does it amount to?

Mr. LAFORTUNE: It is \$8 per day.

Mr. PETERS: You say \$8 per day?

Mr. LAFORTUNE: Yes.

Mr. J. D. McANULTY (*Director, Association of Feed Manufacturers (eastern division) Montreal, Quebec*): The congestion in Montreal is nothing new, it happens every year. This year there has been more Ontario corn grown with greater acreage and yield. While the harvest is going on, Ontario corn may be purchased for as much as 15 cents a bushel under the price of American corn imported into Montreal. Corn has to be moved from Ontario, and we do not have enough storage to hold it. The Montreal market has been buying a tremendous amount of this corn every year, and the situation in Montreal is that you can get this corn for 15 cents a bushel under Chicago corn, yet you cannot get it into the elevators at Montreal. You can get some space, but it is subject to other considerations such as the export movement and to lake freighters coming in.

Some lake boats may remain in the harbour for 15 to 20 days, when the boat owners would suffer for the loss of time spent. But you may keep your corn in rail cars. While the harbours board people are doing a very fine job, one just does not know what is going to happen. It is the same thing every year. There is lack of co-ordination. You do not know what is going to happen until the grain is there. If you go to the national harbours board and say that you want them to put in so much corn, they will say: "We will do our best", but they cannot promise. However, if you buy your Ontario corn and it moves to Montreal, and the elevators are busy there unloading wheat, you are at a very great disadvantage. Unless the grain boats have a demurrage clause in the contract, the boat companies will suffer. But in the case of railroad cars, it is the buyers and ultimately the consumers who will suffer.

Mr. PETERS: Has your organization asked for this demurrage to be considered as rail or freight storage, and that the same assistance be given? It would appear to be our fault in the national harbours board, because we are not

able to accommodate this storage which we have agreed to maintain for winter. But has there been any request made to the Canadian National Railway or to the national harbours board in relation to it?

Mr. McANULTY: No, I do not think they have been approached on that basis. I know that six or seven years ago we ran into a situation, where we brought in a lot of Ontario corn and had it delivered in railroad cars, and it waited around for many days. We had a large demurrage bill to pay, to the point that we are a little bit leery about buying any Ontario corn any more.

Mr. TARDIF: If there were added facilities built at Montreal for storage of this character, would it be used 12 months a year, or would it be used only for a short period of time? Is it cheaper to pay demurrage with railroad cars, if it is only for a short period of time, than it would be to build more storage?

Mr. McANULTY: Your storage is one cent a bushel per month in the harbour.

Mr. TARDIF: Yes, but would it be used for 12 months of the year?

Mr. McANULTY: Your domestic grain comes in in October or November, and it is taken out gradually. I presume the national harbours board would prefer to have export wheat which would stay in there all winter. But domestic grains come in there in the fall and they go out only gradually.

Mr. TARDIF: From the month of April until the fall there would be additional storage which would not be of use.

Mr. McANULTY: That is right. The grain moves in April. Quebec is dependent for its supply on these areas for their grain in the closed season. There is a certain quantity required for domestic use. When you have from 12 to 13 million bushels, you have to have space to put it somewhere, because that is what they require for the winter.

The CHAIRMAN: Mr. Horner indicated that he has a supplementary question and he is next in line.

Mr. TARDIF: Can there be supplementary questions before you get an answer?

The CHAIRMAN: I want to have an answer, but there were two or three interjections. However I have Mr. Watson, Mr. Ethier, Mr. Jorgenson, and Mr. Danforth. Would you please proceed?

Mr. TARDIF: Is it more economical to pay demurrage for a short period of time than it would be to build additional facilities for storage?

Mr. McANULTY: If railway box cars were plentiful, they might be used for some of the storage. But as far as building elevators is concerned, when you compare that possibility with the possibility of paying demurrage, it becomes a question of economics. If you can buy Ontario corn at a savings, and then have to pay a certain amount of demurrage, it does not pay. You might as well buy Chicago corn and put it in a boat.

Mr. TARDIF: Has a calculation ever been made of the difference in cost to the eventual user of corn, for instance, where it is kept in cars and where demurrage is paid for five or six weeks? Or would it be more economical to build more storage? Has the calculation ever been made?

Mr. WATSON (*Châteauguay-Huntingdon-Laprairie*): My question would be the same. You people have not made any calculation. You have never put down a figure as to how much demurrage you people in Montreal would pay in a year for this type of additional storage?

Mr. McANULTY: No, we have not actually calculated it, so we really do not know which is the more reasonable and practical way to handle it.

Mr. WATSON (*Châteauguay-Huntingdon-Laprairie*): The Feed Dealers Association has never got together to find out how much they are paying every year for additional charges?

Mr. McANULTY: Well!

Mr. HORNER (*Acadia*): Are you leaving now, Mr. Choquette?

Mr. CHOQUETTE: Yes I am.

Mr. HORNER (*Acadia*): Let us get that on the record.

Mr. CHOQUETTE: On a question of privilege, I have to leave to attend a meeting of the committee on external affairs. I am a working man here. I do not belong to only one committee. I belong to many committees, and I now have to go to the external affairs. I would like to have that put on the record as well. This fellow is the laziest fellow in the world.

Mr. ETHIER: I believe we are here to listen to a brief from representatives of eastern Canada on whether or not an agency should be formed.

The CHAIRMAN: Is your question supplementary?

Mr. ETHIER: I believe it is supplementary. I asked Mr. Flemming if he was against it or not? If you wish to rule me out of order, I shall take my turn later on, but I do hope that the supplementary questions will not last all the morning, because we wish to ask a few questions ourselves.

The CHAIRMAN: I rule that this will be supplementary.

Mr. ETHIER: I have only one question, not 25 questions.

Mr. PETERS: Mr. Chairman, on a point of order, it would appear to me, although I may be wrong, that we are very foolish as a committee to restrict these supplementary questions, because it seems to me that if we are talking about demurrage on corn from Halifax and in railway cars in Halifax, this is a specific matter, and it really has nothing to do with the brief which has been presented in general. I think we should clear up this line of question which has started, and if it could be cleared up by means of supplementary questions, I suggest the committee should accept such a procedure. It would seem to me to be foolish to go back to the original proposition, and leave this matter hanging in the air.

The CHAIRMAN: That is why I asked Mr. Ethier if he would defer his questions on the agency.

Mr. JORGENSEN: I do not have a supplementary question.

The CHAIRMAN: Are there any other members?

Mr. DANFORTH: I have a supplementary question following Mr. Tardif's line of inquiry. I have only two short questions of these gentlemen, and I appreciate their answers on this particular phase. In this storage in terminal elevators, am I correct in assuming that when they lack space for feed grain, it is a matter of a first come and first served procedure?

Mr. McANULTY: My understanding of the Canada Grain Act is that the grain has to be handled in the order it is received, although there may be some exceptions to it. For example, at times there might be an ocean vessel waiting to receive some export grain, when there happens to be a lake vessel there with that very grade of grain in it, so in order to get it out, they load it and take it out of its turn, and load the ocean going vessel. They might do this sort of thing. We do not quarrel about it, for it seems to me that they do try to facilitate the movement of grain in the order in which it is received.

Mr. DANFORTH: Getting back to this demurrage which you have to pay on freight cars, is that not one of the big problems as far as Ontario corn is concerned? I mean the fact that its harvest is almost coincidental with the

closing of navigation, and that it is classified as feed grain; and that when it is available, the storage for feed grain is in fact already full of feed grain. Is that not the basic problem?

Mr. McANULTY: I do not know what the impact of grain is in the elevator, but at the end of September Montreal elevators were not quite full, although they were pretty close to being full. I understand there were about 9 million bushels of No. 4 wheat or higher in the elevators at Montreal. We do not know whether it is for export; but to all intents and purposes up to a short time ago the elevators had very little space; and when they get up to 18 or 19 million bushels, I understand from the national harbours board they need more working space. So the elevators since the end of September have been pretty full.

Mr. DANFORTH: I understand that this is the basic problem that you people experience.

Mr. McANULTY: It is the same problem.

Mr. DANFORTH: If there were storage space available, it would be possible to use much more Ontario corn, and since there is no demurrage, then outside of the expense and costing factors in Montreal, the effects in eastern Canada and Montreal would be less.

Mr. McANULTY: There is quite a spread. Ontario people could erect small buildings to hold their own corn; but at the same time there is quite a spread between Chicago or American corn that could be put into storage; so even with the carrying charges, it is still more economical than corn brought in, and it is cheaper than wheat. Here is an opportunity, I would say it will always exist, that when you have an opportunity to get low cost grain, you always run into this situation in Montreal where the harbour is blocked. So you take the alternative of bringing in box cars of corn. If you bring in a boat, it may have to wait for 15 to 20 days when compared with rail cars. I think the national harbours board is doing a fine job. Nevertheless, this problem is with us.

Mr. DANFORTH: I appreciate that. Thank you very much.

The CHAIRMAN: Mr. Muir.

Mr. MUIR (*Lisgar*): I will keep it as short as I can. Some of my answers have already been given by this gentleman. As I understand the demurrage which they pay comes on after three days. Do you not think it would be advisable for your company, provided they were given accelerated depreciation on the storage, and you would be saving \$6 a ton on Ontario corn as against American corn to build additional storage.

Mr. McANULTY: The problem, Mr. Chairman, is that for storage in Montreal you have to be on the water and locations where you can get on the water are very scarce. The national harbours board own most of the property along the water. It would be very difficult to get locations to build storage.

Mr. MUIR (*Lisgar*): Actually with the trucking that they have now it should not be necessary to have them on the water.

Mr. McANULTY: If you have to truck it, then you have to handle it from some of the facilities on the water.

Mr. MUIR (*Lisgar*): I beg your pardon?

Mr. McANULTY: If you have grain storage facilities inland in Montreal you would have to truck it from some water point, some water facility where the vessel was discharged.

Mr. MUIR (*Lisgar*): This is what I mean. If it was one rail of course the demurrage is so high—could you not truck it into your storage.

Mr. McANULTY: If you could afford to build storage this is what you would do.

Mr. MUIR (*Lisgar*): Over a long term where you could write off your depreciation in five years, ten years as well as save \$6 a ton, do you think it would pay you in the long run?

Mr. McANULTY: It is a matter of each individual business to work out the economics of it.

Mr. MUIR (*Lisgar*): One thing you could count on would be larger resales. You would be able to supply cheaper feeds. I would think right there that the figures show the difference between what you are paying for American corn and Ontario corn would give you \$6 a ton advantage where you could supply Ontario corn all the time. I am only surmising this. Perhaps you could tell me if I am wrong.

Mr. McANULTY: There is some advantage to the public facilities such as coal blasting facilities. As you know, Ontario corn sometimes does heat. Of course, American corn does, too. There are some advantages in having public storage where they have the coal blasting facilities.

Mr. MUIR (*Lisgar*): Just to sum up, you feel, perhaps, one of the things that this committee should be looking into or studying is the fact that actually in the Montreal area you have a shortage of storage space.

Mr. McANULTY: Yes, at the present time.

The CHAIRMAN: Thank you, Mr. Muir. On different lines of questions I think we have Mr. Horner, Mr. Ethier and Mr. Jorgenson.

Mr. HORNER (*Acadia*): First of all, Mr. McAnulty, in Montreal do not the private merchants, have any storage of their own. Mr. McAnulty, perhaps you could answer that.

Mr. McANULTY: There is very little storage in Montreal. National harbours board elevator has about 22 million bushels capacity. You have the Co-op Federée. They have some. Dominion Malt have an elevator and Ogilvy's have their own elevator facilities and the other feed companies have smaller amounts of storage silos or bins.

Mr. HORNER (*Acadia*): Do you know whether or not the government storage payment is paid to the private trade also; for example, does the Co-op Federée receive any federal storage payment on the grain they store throughout the winter.

Mr. McANULTY: Only the national harbours board.

Mr. HORNER (*Acadia*): Only the national harbours board. Do you think it would encourage the building of greater storage facilities in the private trade if the government paid the winter storage on grain held in private trade facilities as well as national harbours boards.

Mr. McANULTY: There is not enough storage in the private trade right now worth mentioning. It is very small.

Mr. HORNER (*Acadia*): I am thinking of, for example, in western Canada many grain companies have made a tidy profit over the years by storing Canadian wheat board grain. Now, could the same thing bring an alleviation of the storage problems in eastern Canada, if the national harbours board, for example, paid storage on grain stored in private storage.

Mr. LAFORTUNE: Could I answer that? There is no storage paid by the government on corn, not even the national harbours board. This is corn from Ontario and there is no storage paid by the government.

Mr. HORNER (*Acadia*): Of course, this committee has to look into the differences of prices paid for feed grain in eastern Canada and the price the

producer receives for it in western Canada. The corn does not come into the inquiry we are now studying. It has been brought in as a side issue. Maybe some of us disagree with you on that. I am trying to find out where the congestion problem was and what would alleviate it. You have admitted there is a shortage of storage space in Montreal or in eastern Canada, let us put it in as eastern Canada. I am asking you if storage was paid to merchants in private trade would this encourage merchants to build more storage facilities?

Mr. SCOTT: I would think not. Basically they are not in the business of storing grain. It is an on again off again thing at best. I would think not. It is only a thought.

Mr. HORNER (*Acadia*): Fine, thank you. What percentage do you think of the Quebec feed market uses western feed grain? There has been discussion about the advantage of using corn. I want to narrow this down.

Mr. LAFORTUNE: You want to exclude corn?

Mr. HORNER (*Acadia*): Excluding corn. I am talking of western feed grains, barley, oats, wheat, wheat screenings.

Mr. LAFORTUNE: Everything is coming from the west except corn. Am I right?

Mr. HORNER (*Acadia*): What percentage of the Quebec feed market is made up of the use of western feed grains? Can you give me a rough idea? Is it 50 per cent?

Mr. AUBREY: It all depends on the price at the time.

Mr. HORNER (*Acadia*): I well realize that. But we have established the relative figure over a number of years that this has been going on.

Mr. SCOTT: I would say 80 per cent of the western grain at the minimum.

Mr. HORNER (*Acadia*): Eighty per cent is the minimum figure. What would you say the other 20 per cent would be, either American or Ontario?

Mr. SCOTT: Yes.

Mr. FLEMMING: No, no. Your feed freight assistance, your total as assessed in the province of Quebec, was 900,000 tons. Two hundred and ninety five thousand tons were mill feed and screenings giving 32.8 per cent mill feed and screenings, dominion bureau of statistics.

Mr. SCOTT: Mill feed and screenings do not have a storage problem. They are not stored in the harbours board.

Mr. McANULTY: We are speaking of storage.

Mr. SCOTT: I am speaking of grain and grain storage when I say 80 per cent.

Mr. FLEMMING: You would be right there.

Mr. SCOTT: Just to follow that, it could well be that corn takes up a greater percentage as time goes on and as Ontario expands its corn production, as Mr. McAnulty says, if they do not increase the corn storage. At the moment the problem is heavy production and low storage. They are anxious to move it. That is the reason Ontario corn is selling at the moment well under Chicago prices.

Mr. HORNER (*Acadia*): You said the price of corn will vary 15 cents a bushel from, say, mid-winter to the fall—from fall, say from mid fall to mid-winter. Do you not think the Ontario farmers are missing a bet there by not providing enough storage to take advantage of this 15 cents?

Mr. McANULTY: That is the point. Of course, in the fall it is at its cheapest. This 15 cents I mentioned would be the maximum price. As the harvest proceeds the price starts to move up to the point it reaches Chicago's. This is only

during a six week period. You can get this corn under the price of the United States corn market. It is only during this short time when the flush of the harvest is moving.

Mr. HORNER (*Acadia*): In regard to corn shipment and demurrage charges, do merchants order grain when the elevators are full? This seems to me a problem that could be alleviated if judgment was used. If there are 267 box cars loaded with corn, surely if the corn was ordered this would alleviate it.

Mr. McANULTY: Let me answer that, if there was co-ordination, if it was possible to have co-ordination I think it might be possible. I am not in favour of a board or agency as far as this problem is concerned. I think there is a need for co-ordination of facilities. I think I said this before to the last committee, the committee on the corn exchange. There is a need for co-ordination. There are some known factors. You know roughly what number of bushels of different grain you are going to consume in the year. You know the facilities for storage. You know how many lake boats there are. You know the storage space. There are some unknown factors, such as export sales. We do not know ahead of time what our sales might be. We also do not know when the ocean vessels will load. You sometimes do not know that until the last minute. I am going to say this: it is not going to be easy to solve. There is a need for co-ordination. If the people tell the national harbours board they would expect it and they would set themselves up and prepare for it.

Mr. HORNER (*Acadia*): Do you think the national harbours board could expand their facilities and provide this co-ordination that you feel is necessary rather than having another government agency?

Mr. McANULTY: I believe there is a need for co-ordination. I would not go as far as advocating an agency for this particular problem but co-ordination is necessary.

Mr. HORNER (*Acadia*): You believe the national harbours board could provide that co-ordination?

Mr. McANULTY: They do not have the power. It would have to be somebody with pretty broad power. It would have to be somebody with power from the government, from the cabinet.

Mr. HORNER (*Acadia*): Would not this necessarily mean another agency?

Mr. McANULTY: Not necessarily an agency. It could be a board—not a board, a controller of some kind that could co-ordinate, that could bring all the segments of the trade together and try to work out arrangements that would be satisfactory to everybody. I am thinking of us sitting down and working out things among ourselves.

Mr. HORNER (*Acadia*): A single co-ordinator?

Mr. McANULTY: A single co-ordinator or a group of three or four, a group if necessary. There is a need for co-ordination. What form it should take I am not sure. There is a need for co-ordination of facilities.

Mr. HORNER (*Acadia*): One further question in this line: do the national harbours board in allotting storage in their elevators show preference to export grains or domestic grains or do they take the orders as they come in for storage?

Mr. McANULTY: As I say, I go back to the regulations again and it is my understanding they are supposed to receive the grain and unload in the order received on a first come first served basis. There are certain exceptions. We could agree on where they would handle some grain out of turn that might facilitate movement through the elevator and help the congestion situation. I am not saying that this does not happen. That there is actual discrimination

against domestic grain in preference to export I am not in a position to say. I do not know. My understanding of the regulations is the grain is supposed to be unloaded in the order it is received, first come, first served.

Mr. HORNER (*Acadia*): Is demurrage charge paid on export grain at Montreal?

Mr. McANULTY: I do not know that.

Mr. HORNER (*Acadia*): Thank you.

The CHAIRMAN: Mr. Ethier.

Mr. ETHIER: I have a few questions for Mr. Flemming and Mr. Lafortune. I will ask Mr. Flemming: you took the stand a while ago that you were against a committee or a board formed by the Canadian government to look after the eastern grain problem at the moment.

Mr. FLEMMING: Yes, sir.

Mr. ETHIER: I have heard many briefs from many other people; would you not agree that the board could see that those problems could be solved, they could see there would be ample room in eastern elevators for our eastern buyers.

Mr. FLEMMING: The greatest grain handlers are the wheat pool; why not give it to them to look after?

Mr. ETHIER: Secondly, with respect to the difference that exists now in freight assistance, could they not look after that?

Mr. FLEMMING: The difference?

Mr. ETHIER: You told me a while ago there were some differences, anomalies. Would you not think that that board could advise the government.

Mr. FLEMMING: No, I think freight assistance is from the government.

Mr. ETHIER: It is a government measure. I understand that. You would not agree that if a board was set up it could help to correct these anomalies that exist at the moment in eastern Canada?

Mr. FLEMMING: I think it would be fair enough for them to make recommendations. I think that as freight assistance is done with government money it should be decided by the government.

Mr. ETHIER: You agree they could give guidance?

Mr. FLEMMING: Yes.

Mr. ETHIER: That is one point. Guidance could be given by that board to parliament when they are making policies so that the eastern farmers would be protected. We heard a while ago about the space in Montreal. If that board was set up I am sure they would come to the government here and say we need more elevator space in Montreal, we need something to assist those car loads of corn that you have to pay so much on after three days. Would you agree that the board could be very, very helpful in bringing all these anomalies to the people here in Ottawa, regardless of which government is here that is making the policy?

Mr. FLEMMING: I am not too sure of that. You have the harbours board there. You have the wheat pool. You have people that are shipping grain. I am referring to Halifax now. It does not seem to me it should go through more hands.

Mr. ETHIER: We have your views on that.

(Translation)

Now Mr. Lafortune, no one asked you for your point of view on that. Are you in favour of a committee or commission being set up by the

federal government to study all the Eastern farmers' difficulties as well as those of the feed producing companies? No one has asked you that question? I am putting it to you now.

Mr. LAFORTUNE: Mr. Ethier, it is very difficult for me to tell you whether I am for or against a committee without knowing first of all who would constitute such a committee, what its responsibilities would be, what its jurisdiction would be especially, and also what its work would consist of. Are you speaking of a committee made up exclusively of government people?

If you are speaking of a committee made up of business men and representatives of farmers and the government, perhaps some constructive result might be achieved. But before committing myself for or against, I would obviously have to know who would make up such a committee.

Mr. ETHIER: But at the present time you do not adopt as firm an attitude as Mr. Flemming in your opposition to a committee.

Mr. LAFORTUNE: I have no attitude one way or the other because I do not yet know of what this committee would consist.

Mr. ETHIER: Now—I want to give the others a chance to speak—I believe you understood what I asked Mr. Flemming?

Mr. LAFORTUNE: Yes, very well.

Mr. ETHIER: So, for the moment, your very definite position is that you would be neither for nor against because you do not know how the committee would be set up.

Mr. LAFORTUNE: That is right.

Mr. ETHIER: You answered a short time ago that at certain times of the year there is a lack of space in certain elevators. Export grain takes up the space. Last winter it cost the government, I am not certain, several millions for storage in the East of Canada and very few of the farmers benefited from this. Now that is where a commission could be useful by taking the steps necessary to correct the situation. But if there is no such commission? So many different opinions are expressed on this point by groups from the West and from the East. But your opinion would be that a committee could help—to start with, moreover, it is the federal government who would pay the costs and necessarily the principal members would have to be federal government men.

Mr. LAFORTUNE: You can be certain of one thing, Mr. Ethier. If through a committee or any organization whatsoever you can help relieve the Eastern farming economy, our association would support it 100%.

Mr. ETHIER: This is the main object of your presence here this morning: to get your opinion on that. There has been a great deal of discussion; all your answers, we were aware of them, because I myself am a buyer of Western flour. I have a bakery and we think of all these difficulties. We want to know your opinion in arriving at a decision on this committee and making recommendations to the House of Commons. So we are asking for your opinion. Mr. Flemming is slightly in favour but rather against. But you tell me that if it is to help the farmers in Eastern Canada without hurting Western farmers, needless to add, since we are not here to set up one group of farmers against another. Then according to your firm opinion, you would be in favour?

Mr. LAFORTUNE: Insofar as you are able to relieve the situation—

Mr. ETHIER: Yes, but it is very difficult to say what this committee could do before setting it up, is it not? Thank you very much.

(Text)

The CHAIRMAN: Thank you, Mr. Ethier.

Mr. JORGENSEN: I was very intrigued by a reply by Mr. Lafortune as to what he thought of the eastern feed board. Most of the representations we have had before the committee have been unqualifiedly opposed. They did not know what they meant by an eastern feed board but they were against it. Mr. Lafortune has said he would like to know more about this. This is all beside the point. I would like to ask Mr. McAnulty a few questions. I was interested in his observations regarding a greater degree of co-ordination between various agencies. It seems to me that many times the figures we get in regard to the necessity for storage facilities in eastern Canada are figures to cover the average period. I have come to the conclusion that averages are weak, in this sense, because you have a peak period and that peak period is at the end of September when your storage requirements are at the greatest. Following that period your storage requirements or facilities can diminish and up until the following fall of the year there is no need for the great amount of storage that you had required during that peak period. I am wondering to what extent do the various feed companies and the feed mills provide their own storage, their so-called working space within the feed mills? Have you any idea what the average storage provided by the feed mills and feed companies is?

Mr. McANULTY: No, Mr. Chairman, I would not have any accurate figures to give you on that. I would think that in most cases it is just working space, work storage.

Mr. JORGENSEN: Working space. We have this same problem in western Canada during the peak periods of the year when the storage requirements are far in excess of what we actually have. It falls upon the farmer as well as the local elevator companies to provide additional storage. I was wondering if, in your opinion, Mr. McAnulty, there was not a possibility they could relieve the congestion of the peak period by putting up what we classify as temporary storage in western Canada sufficient to carry a quantity of grain over a short period. Has any thought ever been given by the feed companies to building that type of storage?

Mr. McANULTY: It is possible to build short term storage. It is even possible to put grain on the ground, but there are risks involved. Certainly you can build cheaper storage than the concrete elevators or steel silos.

Mr. JORGENSEN: They have storage right alongside the feed mills, which I presume are distributed. I am concluding this, but I think not all the feed mills are located in the city of Montreal. It seems to me they are distributed throughout the province. If a feed mill operator puts temporary storage alongside his feed mill it would relieve the storage situation in the peak period in eastern Canada considerably. Your answer to that is it has not been done. I wonder why it has not been done?

Mr. McANULTY: It is a question of economics, what it would cost to put up the storage. It would be based on the cost. I am not saying it cannot be done. You can build cheaper types of storage than the concrete elevator or your steel silo such as we find in the west in the United States. You can even store grain on the ground. I am not saying you could not do this. It is a question of economics, what it is going to cost, what your return is going to be. What you have to get around are actual economics.

Mr. JORGENSEN: You said it was the national harbours board that were receiving this government storage. I wonder if that is true. I wonder if it is not all licensed terminal elevators in eastern Canada that receive this. Would you be sure of this?

Mr. McANULTY: In Montreal?

Mr. JORGENSEN: In eastern ports?

Mr. McANULTY: I am not sure of this. I was speaking of Montreal. I assumed national harbours board was the only elevator where it applied. I am not sure actually whether it does apply to private elevators in Sorel and Three Rivers. I am not sure of that.

Mr. JORGENSEN: You mentioned also in answer to a couple of questions by Mr. Horner that the building of additional storage space in Montreal was limited by the amount of space available. Is it necessary for terminal storage facilities have to be located in Montreal? As a matter of fact, I was in the city a few weeks ago and I was told there was a possibility that many of these elevators may be torn down and removed elsewhere in order to beautify the city itself. Is it necessary that the elevators must be built in Montreal? Are there not other locations along the water where elevators could be built?

Mr. McANULTY: I am sure there are other points. Montreal lends itself probably more than other places. You can handle both domestic and export grains. It lends itself to handling both domestic and export business. The facilities are there. It lends itself better to domestic and export.

Mr. JORGENSEN: Construction of additional storage facilities in the city of Montreal is not out of the question?

Mr. McANULTY: The point is this, and this was mentioned by the corn exchange group that was up a few weeks ago, if you build a five million bushel elevator in Montreal it is possible that would get filled up. It was suggested that you build another elevator. They just completed one with five million bushel capacity. Possibly you could fill that up.

Mr. JORGENSEN: Yes, at peak periods.

Mr. McANULTY: Well, so far as your peak periods are concerned, there is export and domestic movement to be considered. There is a conflict in the fall, because of these two, and we have to look at them together. Both are important. What is in this elevator now, is it domestic, or is it for export? I do not know. As far as I know the elevator is filled up. But if you built another elevator, the wheat board might decide to bring more wheat down here, because possibly pressure would grow in the west. I do not know the make-up of the grain in the elevator, but it is possible that if you built more space, you would be faced with the same situation.

Mr. JORGENSEN: What do you visualize for eastern Canada in the way of better requirements? Do you think that the requirements will increase substantially over the next few years?

Mr. McANULTY: I think they will grow.

Mr. JORGENSEN: It would be logical if additional storage facilities were necessary, whether or not they were built at Montreal. What do you think of the possibility of temporary storage alongside a local feed mill, put up by the local feed mill operator himself?

Mr. McANULTY: I am not an expert on the material or type of storage that might be used, but I think it could be done.

Mr. JORGENSEN: You strongly recommend that a co-ordinating agency, whatever it is, be set up, whether it be composed of one man or two men or half a dozen. You believe that such a co-ordinating agency would be very helpful to alleviate elevator difficulties?

Mr. McANULTY: It would appear so to us at the moment. I would hope that we might be able to do it within the trade itself, or even within its segments, if they could be brought together, with someone appointed by the government possibly to bring those people together and to work something out. If it cannot be done voluntarily, then the only alternative is to make it mandatory. But I would prefer to see some voluntary group set up with a com-

mittee or a group of people representing various segments of farmer organizations as well, so we could work out this thing among ourselves. But so far there has been no attempt to get together to work this thing out. We have organizations in various parts of the industry. I wonder if they could not do this in a voluntary way. I would like to see some kind of more permanent and compulsory thing done, and I would like to see the government acting as a co-ordinator of the various segments of the industry.

Mr. JORGENSEN: How soon do you plan or propose that such a co-ordinating agency be set up amongst yourselves on a voluntary basis?

Mr. McANULTY: I do not think it could be done now. It has to be done by somebody from government, so that if it did not work out, somebody would have the power to straighten the thing out.

Mr. JORGENSEN: You suggest that the government should take the initiative?

Mr. McANULTY: Yes, somebody from the government should set up a small group.

The CHAIRMAN: I see that Mr. Phillips is here from the department. Perhaps we might ask him to clear the air a bit from the doubt we have this morning arising from the witnesses answers about the storage policy for feed grain. Could you do that, Mr. Phillips?

Mr. C. R. PHILLIPS (*Program Co-ordinator, Department of Agriculture*): Mr. Chairman, respecting storage policy, storage is paid on western grains stored in eastern licensed elevators. There is a list of the eastern licensed elevators in the second part of the minutes of this committee last fall. It was provided at the request of the committee. Would you like me to make some comments respecting the board of grain commissioners' rules?

The CHAIRMAN: Having to do with priorities?

Mr. PHILLIPS: Yes.

The CHAIRMAN: Yes, if you please.

Mr. PHILLIPS: The Canada Grain Act is administered by the board of grain commissioners. Mr. McAnulty is quite right, when he says that one section requires licensed elevators to accept the grain first come first served, but with this exception, that the movement of a vessel may be out of line, if it would facilitate the export of grain; in other words, suppose an ocean vessel is present and full of oats, and there is no grain of that type in the elevators. Then if there is a lake vessel waiting, it may be taken out of line in order to supply the ocean vessel. And there is another exception whereby the licensed terminal elevator may apply to the board for exemption of certain flat capacity from the licence. In other words, from the public part of the licence, and this has been done. Elevators have asked the national harbours board for exemption from the licence to protect a particular segment of the trade. This has included Ontario grain. But I think Mr. McAnulty would agree that this year the corn situation is unusual. You have difficulty each year, but it is much greater this year because there is an extra 12 million bushels of corn there. It has changed the price and brought it down.

It would be possible under the provisions of the law for exemption to be made to take care of a certain amount of corn. The difficulty in my opinion is not one of storage, it is one of unloading capacity. If you take the facilities of an elevator to unload cars of grain, there is a great deal larger volume of grain that can be handled, because it is more difficult to unload cars than it is to unload vessels. So there is a question of cost, or relative cost in there. I think Mr. McAnulty has answered it when he said he has not given any thought to

the economies from the standpoint of the company in building additional space. I imagine that if it is not economical for them, it would be most difficult for anyone.

The CHAIRMAN: Thank you. We have two other members who wish to ask questions.

Mr. HORNER (*Acadia*): Mr. Chairman, I notice that we do not have a quorum.

The CHAIRMAN: Before I ask for a check to be made on whether or not we have a quorum, might we not finish with Mr. Watson and Mr. Mullally, if the committee is agreeable, in order to avoid having to sit again this afternoon?

Mr. ETHIER: Let us continue now.

Mr. HORNER (*Acadia*): Mr. Chairman, we cannot continue now because it has been brought to your attention as Chairman that we do not have a quorum.

The CHAIRMAN: I am not aware that we do not have a quorum.

Mr. HORNER (*Acadia*): I have already brought it to your attention. Mr. Choquette should have remained, but he had to leave. These people ask their questions and then run out. It makes it bad for those of us who are prepared to wait.

Mr. MULLALLY: There is only myself and Mr. Watson. Mr. Godbout has come here from New Brunswick at considerable inconvenience. I think it would be unfortunate if the committee had to rise without hearing from him. My question is a very simple one.

Mr. TARDIF: Why do you not ask your question while we are checking?

Mr. HORNER (*Acadia*): It is illegal to do so.

The CHAIRMAN: I do not know if there is a quorum or not. But if the committee agrees, we could quickly tidy it up.

Mr. HORNER (*Acadia*): You are aware of it, because I have brought it to your attention. I shall not argue the point. I have made the point. It is quite clear that government members are not accepting their responsibility to get the committee started in the morning when it should be. I think they have set up the committee as a smokescreen to try to bypass some parts of eastern Canada.

The CHAIRMAN: Order, Order.

Mr. HORNER (*Acadia*): I shall not press the point. I shall allow the questions. I am agreeable.

The CHAIRMAN: Let us proceed then.

Mr. MULLALLY: The facts do not coincide with what has been said. My question is directed to Mr. Godbout. I would like first of all to ask him what type of business he is doing, about his experience briefly, if he has some recommendations to make, and what his opinions are on the present feed grain assistance, and the movement of grain generally? Possibly he may have some suggestions to make which would be of benefit to the committee in making its report to the house. This is a very broad question, and I appreciate it.

(Translation)

Mr. GODBOUT (*President, Grand Falls Milling Co. Ltd., Grand Falls, N.B.*): Mr. Chairman, Mr. Flemming has covered the ground very thoroughly as far as the Maritime Provinces are concerned except, I believe, the complaints of manufacturers along the St. John River. I come from Grand Falls (Grands-Saults) and it must be admitted that transportation costs for my grain, from Fort William to Grands-Saults, are 99 cents the hundredweight, which works out at \$19.80 a ton. We have a \$14 subsidy, so \$5.80 remains to be paid. Take,

for example, from Fort William to Halifax, by water, which is \$9 a ton; then, by Canadian National to Truro \$3, which makes a freightage of \$12 and a subsidy of \$11 a ton; that leaves only \$1 to pay. That means there is a difference of \$4.80 between grain delivered to Grands-Saults, compared with that delivered to Truro in Nova Scotia, for example. I admit that I am not too well informed on the various subsidies paid for feed. I come from an area where mostly potatoes are grown. There is very little cattle raising in my region, but I believe the reason why farmers are not interested in raising cattle is that the price of feed is too high. I believe the committee is certainly going to see to this question of differences for our grains and for the subsidies paid. That is about all I have to add for the moment.

Mr. WATSON: Mr. Godbout, can you tell us whether the new storage policy has reduced the cost to farmers in the past year, since this policy was introduced?

Mr. GODBOUT: I believe it has reduced the cost.

Mr. WATSON: But, in your sales, do you think that you have reduced your price to farmers because of this storage policy and transportation assistance?

Mr. GODBOUT: We base our prices on a certain margin, we take a certain gross profit margin. Everything depends on the price we pay for our different grains and our different proteins and we pass on our savings to farmers. If the government pays a higher subsidy, naturally our grains are going to cost less, and the farmer will certainly pay less for his feed.

Mr. WATSON: But, in the past year, has the cost to the farmer been reduced or increased?

Mr. GODBOUT: In the past year, I would venture to say that the price to the farmer for feed has been reduced a little.

Mr. WATSON: A little. How much? Can you tell us?

Mr. GODBOUT: It depends also on the different proteins we buy. There are differences in the prices of proteins and concentrates which go into the making of our feeds and there are different feeds that you change—

Mr. WATSON: Are you in favour of retaining these policies of paying for storage and transportation assistance?

Mr. GODBOUT: Yes.

Mr. WATSON (*Châteauguay-Huntingdon-Laprairie*): I would like to ask some questions of Mr. Flemming. Would he indicate to us whether or not his prices to the farmers to whom he sells have been reduced as a result of this policy which he seems to favour?

Mr. FLEMMING: Our mark-up remains the same. On September 29 we paid for No. 3 c.w. oats, bulk contract at Halifax \$2.53 per hundredweight. On September 20 of last year we were paying for No. 3 c.w. oats \$2.29 as of that date. The market was up from \$2.29 to \$2.53, that is, 24 cents, or \$4.80 a ton.

Mr. ETHIER: That is because of the bargain in the west?

Mr. FLEMMING: Yes, and there is nothing we can do about it.

Mr. WATSON (*Châteauguay-Huntingdon-Laprairie*): Could you give us any figures to show the difference in the price to the farmer with this payment of storage and transportation? Have you any idea what the difference means to the farmer?

Mr. FLEMMING: The farmer gets a saving. My friend asked why my hog price was less than my competitor when he went down. It was because I had

put in a quantity of No. 2 wheat screenings which were shipped in August. But I cannot bring them in now.

Mr. HORNER (*Acadia*): Why not?

Mr. FLEMMING: Because they stopped the freight assistance. It was taken off in September.

Mr. HORNER (*Acadia*): This is detrimental to your industry?

Mr. FLEMMING: I do not say that; because the price of No. 2 wheat screenings has been coming down since they put in the freight assistance on No. 2. They are not down to where they could be, but they are coming down.

Mr. TARDIF: You are getting a better product for less money.

Mr. RENÉ AUBREY (*Director, Association of Feed Manufacturers (eastern division) Montreal, Quebec*): With the freight policy that the government brought in I suggest that you are not making any savings at six cents a ton, or even if you warehouse it for six and one half months; you are not making a savings.

Mr. WATSON (*Châteauguay-Huntingdon-Laprairie*): Has this policy resulted in savings to the farmer, or have you people absorbed part of the benefit which was originally intended for the farmer?

Mr. AUBREY: Generally speaking I would say that it has been turned back to the farmer.

Mr. FLEMMING: We have four grain companies in our village, and they have brought the price down.

Mr. DOUCETT: I want to ask two questions of Mr. Godbout about something I do not understand. He said that the freight subsidy to his place was how many dollars more than to Truro?

Mr. GODBOUT: From Fort William to Grand Falls the subsidy is \$14.

Mr. DOUCETT: The subsidy of the freights?

Mr. GODBOUT: The subsidy; the grain is \$19.80.

Mr. DOUCETT: And what is the difference to Truro?

Mr. GODBOUT: The grain is \$19.80 which is 99 cents a hundredweight, and the subsidy is \$14, which leaves us \$5.80 compared with Truro, for instance, from Fort William. On grain diverted to Truro, it is \$9 for water freight; and \$3 for the C.N.R. freight to Truro, which makes \$12, and the subsidy is \$11, leaving us only \$1.

Mr. DOUCETT: You will have \$4.

Mr. GODBOUT: No, \$5.80.

Mr. DOUCETT: So it is \$4 more?

Mr. GODBOUT: It is \$4.80 more.

Mr. DOUCETT: You have charged \$4.80 per ton more, and you have the same return as Truro.

Mr. GODBOUT: That is right.

The CHAIRMAN: Thank you, gentlemen.

Mr. WEBB: In other words, what you are saying is that this zoning did not help your situation at all.

Mr. GODBOUT: No, it did not help us along the Saint John river, and that is true.

The CHAIRMAN: I think all the members of the committee would want me to thank all the witnesses for their coming here this morning. We are very pleased that you were able to be with us. The meeting is now adjourned.

APPENDIX 1

RETAIL PRICES ON FEED RATIONS

Details		Pig Grower 16%				Dairy Ration 16%				Lay Mash 18%			
Date	Place	Bulk/ton		Bag/Cwt		Bulk/ton		Bag/Cwt		Bulk/ton		Bag/Cwt	
		\$	c	\$	c	\$	c	\$	c	\$	c	\$	c
Sept. 10/64	Guelph (Ontario)...	72	00	3	80	69	00	3	65	86	00	4	50
Sept. 15/64	Joliette (Quebec)....	72	00	3	75	69	00	3	60	79	00	4	10
Sept. 17/64	Ch'town (P.E.I.)....	71	00	4	15	66	00	3	70	95	00	5	00
Oct. 15/64	Guelph (Ontario)...	71	00	3	80	68	00	3	65	84	00	4	55
Oct. 15/64	Joliette (Quebec)....	72	00	3	75	69	00	3	60	79	00	4	10
Oct. 16/64	Ch'town (P.E.I.)....	71	00	4	15	66	00	3	70	95	00	5	00

Ottawa,
November 18, 1964.

APPENDIX 2

Mr. Chairman and Members of Committee on Agriculture and Colonization, House of Commons, Ottawa.

Gentlemen:

I am here as a private individual in the feed business since 1928 and operating a small independent mill since 1956, where over 90% of purchases is sold as balanced rations to farmers.

Our supplies are purchased through Maritime grain brokers on a delivered basis, grain ex Halifax, mill feeds and proteins ex West.

Since the assistance plan was organized in 1941, there have been a number of changes greatly increased with the opening of the seaway in 1959, which affected laid down costs in a large number of Maritime points.

Our farmers need a freight assistance policy—so plans can be made for at least five to ten years ahead. The present uncertainty of feed costs hinders expansion of food production in milk, meat, and poultry products.

The attached information on freight rates and feed prices in comparison with Montreal show our position. Our manufacturing costs are reasonable and with reduced freight charges, we can compete with the larger mills of Canada. Our recommendations are attached.

Faithfully yours,
Wm. A. Flemming.

WAF/mb
Encls.

Brief on Feed Prices to House of Commons Committee on Agriculture and Colonization.

In order to bring our prices in line with Montreal, we need and respectfully suggest for your consideration:

- (1) Continuation of subsidy on western feed grains based on lowest cost transportation by rail and/or water to encourage Maritime mills to manufacture as close to point of consumption as possible.
- (2) Continuation of payment of subsidies on truck movement of grains.
- (3) Recommend continuation of free storage programme in National Harbours Board elevators.
- (4) Recommend that the National Harbours Board or Canadian Wheat Pool predetermine space required by all Maritime manufacturers using N.H.B. elevators and allocate space in order that all will get a fair share of available space, and make purchases direct from Wheat Board or recognized grain brokers. I question if a local selling agency can look after the interests of the smaller mills in this area.
- (5) In order to compete with Ontario and Montreal mills, I respectfully urge a subsidy on vegetable proteins and Ontario corn so that these can be delivered to Maritime points to cost the same delivered as at Montreal.

- (6) The subsidy on mill feeds to remain practically as now in effect, but with the addition of No. 2 Ground Wheat Screenings, used in our Hog Feeds to advantage. Also subsidy on heavy double recleaned Oats for feeding only, be placed on basis prior to September 64.
- (7) Recommend and urge most strongly that feed freight assistance on the above be made a permanent policy with suitable legislation to cover.

Respectfully submitted,

Wm. A. Flemming.

Following are Grain freight rates Ex Halifax and Ex Prescott

	Ex Halifax	Ex Prescott
Amherst.....	.30	.72
Antigonish.....	.15½	.78
Aylesford.....	.15½	.78
Berwick.....	.15½	.78
Bridgewater.....	.15	.78
Brookfield.....	.22	
Brooklyn.....	.15½	.78
Kentville.....	.18½	.78
Lawrencetown.....	.18	.78
Middleton.....	.18	.78
(60 ton car).....	.16	
Milford.....	.10	.72
Musquodoboit.....	.15	.78
New Glasgow.....	.26	.72
Pictou.....	.20	.72
Port Williams.....	.12½	.78
(60 ton car).....	.10½	
Scotsburn.....	.20	.72
Stellarton.....	.26	.72
Stewiacke.....	.10	.72
Tatamagouche.....	.20	.72
Truro.....	.15	.72
Yarmouth.....	.48	.78
Oxford Junction.....	.26	
Moncton.....	.35	

Rail

<i>Soyabeanmeal</i>	<i>Bulk or Bagged ex Hamilton or Toronto</i>	
	—To Truro.....	.95½
	Montreal—To Truro.....	.95
	Hamilton—To Montreal.....	25 ton .51
		40 ton .48
		50 ton .47
	Toronto—To Montreal.....	25 ton .50
		40 ton .47
		50 ton .46

Water

	<i>Bagged only</i>	
	Hamilton—To Montreal.....	25 ton .53
		30 ton .52
	Toronto—To Montreal.....	25 ton .47
		30 ton .45

Gentlemen, I am not in a position to quote current Ontario costs on grain and mill feeds. Our net current costs are as follows:

Grains	Ex Halifax	Ex Prescott	Ex Prescott Dec. 1 basis
3 C.W. Oats.....	\$2.69 cwt.	\$2.98 cwt.	\$2.77 cwt.
\$1 Feed Barley.....	2.75 cwt.	3.05½ cwt.	2.84 cwt.
Sample Wheat.....	3.25 cwt.	3.59½ cwt.	3.38½ cwt.
Whole Corn (ex Ontario).....	3.34 cwt.		

Mill Feeds Bagged	Net Delivered Truro
Bran.....	\$ 2.45 - 2.62 cwt.
Shorts.....	2.67½ - 2.77 cwt.
Middlings.....	3.00 - 3.05 cwt.

Concentrates Bagged	Net Delivered Truro
Brewers' Grain.....	\$ 3.05 cwt.
Gluten 23%.....	3.67 cwt.
Linseed Oilcakemeal 32%.....	4.65 cwt.
Soyabeanmeal 44%.....	5.28 cwt.

The following are prices to farmers, basis lots of three tons or more.

Competition No. 1				Flemming Purmill
	Toronto	Montreal	Truro	
Oats (bulk).....	56.00	58.00	61.00	61.00
Barley (bulk).....	57.00	59.00	62.00	62.00
Wheat (bulk).....	70.00	73.00	73.00	74.00
Corn (bulk).....	56.00	70.00	77.00	74.00
16% Dairy Ration (bagged).....	69.00	69.00	69.00	73.00
16% Hog Grower (bagged).....	73.00	74.00	82.00	80.00
15% All Mash Layer (bagged).....	80.00	81.00	87.00	
16% All Mash Layer (bagged).....				90.00
17% All Mash Layer (bagged).....	81.00	84.00	91.00	

	Competition No. 2				Truro over Montreal
	Toronto	Montreal	Quebec	Truro	
Chick Grower Krums.	82.80	89.20	89.60	93.20	4.00
18% Laying Pellets....	86.00	94.00	94.80	98.40	4.40
16% Dairy Krums.....	68.80	75.20	76.40	79.20	4.00
32% Dairy Conc. Krums.....	82.80	90.60	92.60	101.20	10.60

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HOUSE OF COMMONS
Second Session—Twenty-sixth Parliament
1964

STANDING COMMITTEE
ON
Agriculture and Colonization
Chairman: RUSSELL C. HONEY, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE
No. 14

Respecting
PRICES OF FEED GRAINS

THURSDAY, DECEMBER 3, 1964

WITNESSES:

From the Independent Commercial Corn Growers Association of Ontario:
Messrs. George Morris, President, Glen Ludwig, Vice-President,
Thomas Swanton, Secretary, Don Morris, Dwight Doyle, Bill Dan-
forth and Murray Doyle.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1964

STANDING COMMITTEE
ON
AGRICULTURE AND COLONIZATION

Chairman: Russel C. Honey, Esq.

Vice-Chairman: Patrick T. Asselin, Esq.

and Messrs.

Alkenbrack,	Forgie,	McIntosh,
Armstrong,	Gauthier,	Muir (<i>Lisgar</i>),
Barnett,	Gendron,	Mullally,
Béchar, d,	Groos,	Nasserden,
Beer,	Gundlock,	Noble,
Berger,	Horner (<i>Acadia</i>),	O'Keefe,
Brown,	Howe (<i>Wellington-</i>	Olson,
Cardiff,	<i>Huron</i>),	Peters,
Choquette,	Jorgenson,	Rochon,
Cooper,	Kelly,	Roxburgh,
Crossman,	Konantz (Mrs.),	Southam,
Cyr,	Korchinski,	Tardif,
Danforth,	Langlois,	Temple,
Dionne,	Laverdière,	Vincent,
Doucett,	Lessard (<i>Lac-Saint-</i>	Watson (<i>Assiniboia</i>),
Drouin,	<i>Jean</i>),	Watson (<i>Châteauguay-</i>
Émard,	Madill,	<i>Huntingdon-</i>
Éthier,	Mandziuk,	<i>Laprairie</i>),
Fairweather,	Mather,	Webb,
Forbes,	Matte,	Whelan—60.
Forest,	McBain,	

D. E. Lévesque,
Clerk of the Committee.

Quorum 20

Mr. Thomas replaced Mr. McCutcheon on November 30, 1964.

ORDER OF REFERENCE

MONDAY, November 30, 1964.

Ordered,—That the name of Mr. Thomas be substituted for that of Mr. McCutcheon on the Standing Committee on Agriculture and Colonization.

Attest.

LÉON-J. RAYMOND,
The Clerk of the House.

MINUTES OF PROCEEDINGS

THURSDAY, December 3, 1964.

(17)

The Standing Committee on Agriculture and Colonization met this day at 10:10 o'clock a.m. The Chairman, Mr. Russell C. Honey, presided.

Members present: Messrs. Alkenbrack, Asselin (*Richmond-Wolfe*), Béchard, Beer, Brown, Cardiff, Choquette, Cyr, Danforth, Dionne, Doucett, Forest, Forgie, Gendron, Groos, Honey, Howe (*Wellington-Huron*), Jorgenson, Konantz (Mrs.), Laverdière, Loney, Madill, Matte, McBain, McIntosh, Muir (*Lisgar*), Mullally, O'Keefe, Saltsman, Thomas, Watson (*Assiniboia*), Webb and Whelan—33.

Witnesses: From the Independent Commercial Corn Growers Association of Ontario: Messrs. George Morris, President, Glenn Ludwig, Vice-President, Thomas Swanton, Secretary, Don Morris, Bill Danforth, Murray Doyle and Dwight Doyle.

In attendance: Mr. C. R. Phillips, Program Co-Ordinator, Department of Agriculture.

The Chairman welcomed the witnesses and asked Mr. Danforth to introduce the Officials then Mr. Morris introduced the other delegates.

Mr. Swanton presented the brief and the Committee proceeded to the examination of the witnesses.

At 12:20 o'clock p.m., the questioning of the witnesses being completed, the Chairman adjourned the Committee to Thursday, December 10, 1964.

D. E. Lévesque,
Clerk of the Committee.

EVIDENCE

THURSDAY, December 3, 1964.

The CHAIRMAN: Order. Mrs. Konantz and gentlemen, I want to thank everyone for getting started so early this morning, and I think that is particularly good when we consider how many other committees are meeting.

We are very pleased this morning to have representatives here from the Independent Commercial Corn Growers Association of Ontario. These gentlemen have been arranged, if I may use that phraseology, by Mr. Danforth, who has been kind enough to look after some of the witnesses from Ontario, and as I mentioned at the last meeting, Mr. Asselin and Mr. Mullally had undertaken a similar responsibility with respect to Quebec and the maritimes.

I think I might then, without further comment, ask Mr. Danforth if he would be kind enough to introduce the president of the witnesses' association this morning, and then I think the president, Mr. Morris, will introduce those who are with him before the committee this morning.

Mr. DANFORTH: Thank you, Mr. Chairman. Since most of these gentlemen, I might say these upright, business-looking gentlemen, I believe are farmers, and most of them are from my area, it gives me a great deal of pleasure to welcome them to the committee this morning. They do represent a very important industry in Ontario, and I feel the committee will gain much from the evidence that they may present before us today, because they are not only conversant with their industry, but they are engaged in it, and each of them is a specialist in his own particular field.

I would like to introduce and present to the committee George Morris, president of the association, a very successful businessman and farmer who grows a great deal of acreage of this commercial corn.

The CHAIRMAN: Thank you. It is a pleasure to have you with us, Mr. Morris; would you be kind enough to introduce the others of your delegation.

Mr. GEORGE MORRIS (*President, Ontario Independent Commercial Corn Growers Association*): Mr. Chairman, ladies and gentlemen, I wonder, looking over this group today and my gathering here, just how they fit together? In how many places in this large world, could we, a bunch of farmers, come to a meeting as important as this and present our case. I think we live in a fine land, where this is allowed. We are proud of it. We are certainly happy, as farmers, to be able to be here, and we do appreciate it, gentlemen.

I would like to introduce my group to you, if I might: my vice president, Mr. Glen Ludwig; my secretary, Mr. Thomas Swanton; Mr. Donald Morris, a corn grower; Mr. Bill Danforth, a corn grower; Mr. Murray Doyle and Mr. Dwight Doyle.

I might say this, gentlemen, that there are no better corn growers in the world than these gentlemen I have just introduced to you. We do not take a back seat to anyone. These men do not.

We have a brief, and we are happy to present it. Before I have it presented, may I add that we do exist because we were asked to exist by a meeting held in the city of Chatham; we have a right to exist as commercial corn growers, independent of any other organization, and that is why we exist.

I believe that is all the introductions we need, and I will ask Mr. Swanton to read our brief.

Mr. THOMAS SWANTON (*Secretary, Ontario Independent Commercial Corn Growers Association*): Thank you, Mr. Chairman. Hon. members of this committee, I am privileged to present this brief to you on behalf of the Independent Commercial Corn Growers Association of Ontario.

We the Independent Commercial Corn Growers Association of Ontario humbly petition your honorable committee to give your utmost consideration to our plea on behalf of a vital and growing industry in Ontario, and to apply those principles of justice and fair-play that should characterize truly democratic government in determining the application or deletion of tariffs or in the granting of subsidies.

The growing of commercial corn in Ontario has expanded enormously with constantly improved methods of handling and better varieties of corn, filling a vital need in the production of various types of high energy feed required by feeders of livestock and poultry in Canada as well as improving the general economic condition in our country.

We have become alarmed and concerned by conflicting reports in the press and on the radio and by the evidence submitted to your committee for the removal of the eight cent tariff on imported corn, the subsidization of transportation by water of western feeds and storage, and the establishment of an authority to have complete control of eastern feed grains.

Therefore, our producers are unanimous in feeling that there must be no reduction in the present duty on corn entering Canada which would adversely affect the price of corn to our producers and place them in unfair competition with corn which has been produced under the farm subsidy policy of the United States government and is, therefore, the property of that government.

And, whereas the acreage of corn grown in Ontario for grain and silage exceeds 650,000 acres, and produced in 1964 an estimated production of 52,728,000 bushels of grain corn with a potential value to the producers of over \$70,000,000. And, in the opinion of reliable government officials, with new and adapted varieties the acreage of this crop could expand six and seven times its present amount.

In requesting the retention of the eight cent tariff on imported corn, we do not wish to be placed in a position of advantage or preference at the expense or disadvantage of the farmer in Quebec and the maritime provinces. In our opinion the solution lies in the subsidization of transportation and storage of Ontario corn to eastern points which would allow the feed freight assistance to function as it was primarily designed, namely, to make feed grains competitive with United States corn, which is stated by the MacPherson Royal Commission.

We believe our farmers in Quebec and the maritimes should be in a position to purchase at their respective destinations Ontario corn at a price that would encourage the use of that commodity in the manufacture of high energy feeds. To that end we would agree with the August 28th statement of the Hon. Mr. Sauvé that there will be no balance of transportation costs greater than \$2.00 per ton by the least cost method of transporting grain.

We urge that any recommendation this committee might propose with reference to the equalization of freight on Ontario corn to eastern farmers be of such a nature as to cover a period of at least ten years duration. This we believe will assist in the expansion of food production in milk, meat, and poultry encouraging feeders to produce at uniform prices to consumers in all major centres in Canada, therefore, guaranteeing a continuity of supply.

And whereas if no action is taken to alleviate the conditions under which corn growers of Ontario would find themselves if they are not treated equally with their fellow Canadians in the West, where the transportation subsidy applies to corn as well as other grains. For example—

The price of corn in 3-ton lots at:

Toronto is \$56.00 per ton;
 Montreal \$70.00 per ton;
 Truro \$77.00 per ton.

A difference of \$21.00 per ton, Toronto versus Truro or fifty-eight cents a bushel;

A difference of \$14.00 per ton between Toronto and Montreal or 25.7¢ per bushel.

In comparison we have the cost of subsidized wheat and grain to the same centres—

On the basis of 3-ton lots:

Toronto \$70.00 per ton;
 Montreal \$73.00 per ton;
 Truro \$73.00 per ton.

A difference of only \$3.00 per ton between Toronto and Montreal;

A difference of only \$3.00 per ton between Toronto and Truro.

And, whereas the Canadian wheat board has freed the mills and feeders in western Canada from price and quota regulation, we heartily approve this action and register our disapproval of any action to create a government agency for the marketing of feed grain in eastern Canada, as we sincerely believe that such services can be rendered satisfactorily by private enterprise governed by the law of supply and demand.

In summary Mr. Chairman, appreciating that the objectives of this committee is to obtain if possible cheaper feed for Quebec and the Maritimes, and well aware that corn is necessary for high energy feed in most rations; we should like to present in brief the five following points:

- (1) That the portion of commercial corn grown in Ontario and used as a feed, be given the same government freight assistance on eastern movement as that accorded to western feed grains with which we are in direct competition. This would afford the government a strong deterrent against the importation of United States feed corn into eastern Canada.
- (2) That we the corn growers of Ontario receive the same government subsidy of 1 cent per bushel per month on that portion of our crop used for feed purposes and stored in terminal and licenced elevators from November 15 to April 15.
- (3) That our industry be given a fair portion of the storage space allocated for feed grains in eastern elevators, which we do not now enjoy due to the fact that a first come first serve basis finds the elevators filled to capacity, before our harvest can get under way.
- (4) We recommend the 8 cent tariff be retained to protect us against large United States importations.
- (5) We recommend that the eastern feed grain industry be not regimented by a bureau or committee but that the grain be allowed to move through its normal channels, which with the application of the above principles could substantially reduce the price of corn to eastern feeders.

All of which is respectfully submitted, Mr. Chairman, for your consideration.

The CHAIRMAN: Thank you very much. Mr. Swanton and gentlemen, Mr. Levesque has asked me to say to the committee that we are in rather cramped quarters this morning. We gave our other room over because we did not realize

we were going to have a meeting this week, and we called this on rather short notice. Also there are seven committees meeting this morning; unfortunately there are not enough French interpreters to go around, so that we do not have one this morning. If the members of the committee at this meeting would be kind enough to bear in mind that it is just impossible to obtain an interpreter this morning, we would appreciate it.

Mr. Swanton, thank you very much for your brief. I understand that Mr. Swanton, Mr. Morris and Mr. Ludwig are prepared to answer the questions that members of the committee fire at them.

Mr. WHELAN: Mr. Chairman, first of all, I would like to ask the makeup of the committee. I know some of the men, but what part of Ontario do they represent? Do they represent all the corn growing areas? Are there representatives from all these different counties in your association?

Mr. MORRIS: Mr. Whelan will recall some time ago there was a large upset in the corn industry in Ontario, caused by a vote. There were two sides to that tangle, and there were a few of our members that you see here today that were active at that time, and after the smoke had cleared away we were asked to form this organization. It is in the process of being formed, and we are here today representing it, and we will have membership, and I believe, Mr. Whelan, you will be asked to join that committee as of now.

Mr. WHELAN: What I asked, Mr. Morris, was what area do they represent now? Is this more a provisional board, or a provisional committee?

Mr. MORRIS: Well, we are just like a seed of corn: We are branching out into the whole province of Ontario where they grow corn.

Mr. WHELAN: I realize it is an expanding industry as far as that goes, and as you pointed out in your brief it has a great future in Ontario. As far as that goes I heartily agree with that. One of the things I noticed you mentioned, and Mr. Swanton did also more or less in his summary—I did not get every bit of it—was storage. Now, the other day I had representations made to me, and possibly some of the other members of the committee had representations made to them, about our corn. What is happening to it in Montreal as far as storage is concerned? I understand there are several hundred box cars that have been there for some time, not being unloaded, and I understand no concentrated effort to unload them will be made until December 7.

Do you feel that in Montreal is the best place to store our corn; or should the field of storage be more readily available, probably in the corn growing area?

I realize that because of marketing, and the different machines we are using, there is a large rush at harvest time; really there is no place in our area that I feel we could put this corn.

Do you feel that the storage space should be enlarged, or is it in the right place in Montreal?

Mr. MORRIS: I am going to ask Mr. Ludwig to answer your question.

Mr. GLEN LUDWIG (*Vice President, Ontario Independent Commercial Corn Growers Association*): Mr. Chairman, hon. gentlemen, Mr. Whelan, it seems to me that Montreal is not the place to store corn, particularly in box cars. We know that some of our grain elevator men are in trouble today; there could be the odd one go broke, and this demurrage is being passed on to the farmer in Quebec and the maritime provinces. This is what we do not want to happen; we agree that this is not the place for the storage of Ontario corn, in box cars in Montreal.

We feel as farmers that if we can have some type of assistance, such as a fast writeoff, quick recovery of our money, we will put the storage on our farms, where it should be. This will also alleviate the tremendous glut we get

at harvest time. Farmers are moving tremendously technologically today. For example, it will take a \$12,000 dryer to keep up to a corn combine. The elevators cannot even keep up to one farmer. How are they going to keep up with all of them?

I think, and I think these gentlemen will agree with me, that where we need the storage to remove this excess glut at harvest time is at the farm. This is what we required in our soft wheat industry; we did not require an agency to do it, all we had to do was remove the glut that was causing our prices to become depressed.

Gentlemen, would you like to take this information back to your farmers in Quebec and the maritimes. We suggest that if they want cheap feed they should be down here in Ontario buying it now. Some of the farmers had to sell at a distress price of 80 and 90 cents. The only price increase we are willing to accept is that we have another source open, and we will let free trade and competition take care of it.

MR. DANFORTH: Why? Can you explain to the committee why there is this glut of hundreds of box cars at Montreal?

MR. LUDWIG: Mainly because we have not the storage here, and we do have a peculiar situation. This year there has been some spoilage on corn, and it has been doubly serious because the farmers have been picking and shelling and delivering corn. Now, the corn which was put into storage is being taken out, and there just is not the room for it, gentlemen.

MR. DANFORTH: Well, is not there an allocation of storage for feed grains in the terminal elevators?

MR. LUDWIG: Yes, but we cannot get Ontario corn into it, because it is all filled up by commitments to western feed grains before we even start our harvest.

MR. WHELAN: I understand the reason they are not going to touch this grain is on account of the export of western grains, and this is the reason I was given yesterday as far as the national harbours board is concerned. Last year I believe it was American corn that used these facilities. I understand that our department this year refused to let them use this as a transfer point for American corn. They did tell me this also, and I fully realize how impractical it is to our people when they are getting this corn delivered to them. Several days ago they sent a telegram asking them not to ship corn to Montreal, but the corn continued to come in from the brokers, mainly from the Montreal area. I am not really saying that they did not want it; I may not be a 100 per cent correct on this, but this is the information I was given.

On this suggestion of Mr. Ludwig that the grain be stored on the farm, I cannot say that I agree with him, because of the evidence we have had. I have checked, and already this year there is a great difference between the way that corn is dried by the individual farmer on his dryer. We have had some come in, and it was turned back because it had odour on it, and everything else. Nearly every farmer who runs an independent dryer, according to the information I have been given, does things so differently that the corn is hard to blend; it is hard to use; it has different odours on it; and I think one of the things we have to make sure is that we have a top quality product. Maybe in time they will have to get used to it, but at the present time this is not proving to be a practical thing. Evidence in the past has shown that corn on the farm is not readily available, in a great many instances, when the market demands it. I agree that there should be some storage on the farm for grain. We have had the same difficulties with respect to wheat. A great amount of this comes off in not number one condition, and our grain inspectors can show you strong evidence on this point.

Mr. LUDWIG: Mr. Whelan, I do not appreciate the inference that we as farmers have not the intelligence to properly condition this corn. As a matter of fact, I would like to know your source of information; I would like to debate this with this man, whoever it may be. I have operated elevators, and I now farm. I can take you to farmers in southwestern Ontario, and I will take their corn from their binders and their bins and I will put it up for grade against anything you can pick up from the commercial end; and I will guarantee you it is not blended either.

Mr. WHELAN: I can give you the evidence, as far as that goes; I feel quite strongly on this from my study of grain dryers, from being associated with them and visiting them all over Ontario and all over the United States. I am sure you are familiar with one installation at Maumee by the Anderson brothers there. One of their prime things is that they do not create any odour on their corn, and it can go into all phases of the market. I think you will agree that when corn is being dried by an oil dryer, or a gas dryer, even the best of operators can make a mistake. I am saying that our farmers are not used to this equipment. I think some of our farmers are the most capable people in the world; they are some of the most efficient farmers, some of the most scientific. The units are under the farmers in Canada and especially in western Ontario.

I did not imply that they were inefficient. I am a farmer, and I feel that we are some of the most efficient producers in the world, as far as that goes, but I do say they are not all drying their corn the same, and corn stored off or on the farm in nine cases out of ten does not all come out in the same condition that it could.

Mr. LUDWIG: All elevators do not dry the corn the same. Since you have been telling me you have seen these installation on the farms, how many are using oil? Very, very few. They use propane and natural gas. I think the technology of our farmers is advancing rapidly, and we should encourage this. This is what we needed for a united Canada. We will not stop until our people in Quebec can have the same living standard as any place else, the same as in the maritimes, the same as in the west, and I think we should be assisted; this is all we are asking, just to let us work out our own problems with assistance, but do not have us competing with subsidized stuff from the United States. I have been farming for years in corn, and have had to rack my brains to stay on top because I have to compete with this.

The CHAIRMAN: Order, please. Have you any further questions?

Mr. WHELAN: I have one further question on storage. I am not too clear just yet whether the intent of the commercial grain growers association is that we should have more storage on the farm and less terminal storage. Are they all agreed on that, or should we have more of both?

Mr. LUDWIG: Well, we are not experts on terminal storage, believe me, but we realize that if we had enough to take care of the glut at harvest it would help; this is what we are concerned with. Now, it is very possible that there should be some kind of storage set aside in Montreal, or Prescott, so that the Quebec and maritime farmers, through equalization of freight, can get corn which is necessary for high energy feed, and we would be happy to go along with this.

Mr. WHELAN: This is the thing that concerns me about the corn in the Montreal storage now. This is going to cost the eastern consumer of this high energy food more. He might not get as a good a product as he would if it was properly looked after, because we know what will happen to this corn that is in steel box cars for any length of time, through condensation at the top of the car. I have seen these box cars a solid mass. The corn starts to grow if it is kept there long enough. This is my concern. Here we have a huge crop of

corn that is not being looked after properly, and the only two people that are going to suffer are the producer and the consumer of this product.

Mr. MORRIS: Mr. Whelan, I am certainly glad to know that you are concerned about these cars of corn and the corn farmers, because it is really a serious thing, but we are concerned about this storage. Then let us do something, it is time now, for next year. I think we can store corn at home. I had one of the first grain combines in this country, and people told me it would not work. If you think we cannot dry corn, just stop in on the way home, and we will show you.

Mr. WHELAN: I did not say they cannot dry corn. I know a lot of farmers buying these smaller units who are putting \$4,000 or \$5,000 into them, I feel their farms are not big enough for these units. They are overcapitalizing for the return they get from their product.

Mr. MORRIS: Possibly a fast turnover might be the answer to the whole thing.

Mr. WHELAN: Maybe. Is the committee aware of the fact that the government announced that they had no intention of taking the tariff off American imported corn?

Mr. LUDWIG: We did not say that the government announced it, but that a couple of members of parliament had, and Mr. Sharp said that all the negotiations concerning this thing would be secret. We wonder why members of parliament are telling us it is not going to be taken off now. Are they given this information?

Mr. WHELAN: It seems that a rumour had been spread in the corn area that we had the intention of taking off the tariff. I immediately went to all the authorities that I knew of, because I knew just the suspicion that the tariff was to be removed would have a drastic effect on the corn market. I have it in writing from the Minister of Trade and Commerce and I let this be known to the people who asked me for information, that they had no intention of taking the tariff off.

Mr. MCBAIN: I wonder if Mr. Whelan would explain the definition of we? Who is he referring to as we? You said we had the information.

Mr. WHELAN: We had the information that the tariff is not going to be taken off.

Mr. MCBAIN: Yes. Who are you referring to as we?

Mr. WHELAN: I was given the information by the Minister of Trade and Commerce.

Mr. MCBAIN: You said we are not going to take the tariff off.

Mr. WHELAN: I am using the broad terminology of the government.

Mr. MCBAIN: All right, say the government.

Mr. WHELAN: It seems to me there is some idea that this statement should not have been made. I made this statement to the people that requested the information from me, and I thought it was most important to the corn industry at that time. Now, if there is some suggestion that this was not important to the corn industry, I would like to know.

Mr. DANFORTH: Mr. Chairman, I am very interested in the remarks Mr. Whelan has made in regard to assurances that the tariff is not coming off. It is important to corn growers, and I am interested in his remarks in view of the fact we have had evidence presented to this committee requesting that the 8 cents be taken off, and I just wonder. Being a corn producer myself, and selfish in that regard, I am interested in this tariff on corn. Is there any information available on the history of this tariff? Has this 8 cents always been on our corn? Has there been any change in this 8 cents?

Mr. MORRIS: Oh, there is quite a history to this tariff on corn. It has been played with before; that is the reason they were a little suspicious that things could happen. For example, in 1930, the Americans had 25 cents duty against Canadian corn; the Canadians had $7\frac{1}{2}$ cents tariff against food corn; in 1931 the Americans still had 25 cents, the Canadians had 25 cents against all American corn; in 1938, the Americans still had the same duty, the Canadians reduced theirs at that time from 25 cents to 20 cents; in 1948, gentlemen, the same on commercial corn in the United States. They reduced it to $12\frac{1}{2}$ cents per bushel on seed corn going into the United States. The Canadians reduced it from 10 cents to 8 cents, and that was in 1948, and that is where the duty was put to, 8 cents, and that is where it is today. As corn producers let us hope it is not be played with any more, I am saying that on my own behalf.

Mr. MOORE: May I ask a supplementary? What is the duty on Canadian seed corn going into the United States, the American duty?

Mr. MORRIS: I have it here somewhere, but I cannot tell you today.

Mr. SWANTON: I believe it is 25 cents.

Mr. MORRIS: No, it is reduced to $12\frac{1}{2}$ cents.

Mr. MOORE: What explanation would you have of the difference between the duties in one country and another as regards corn?

Mr. MORRIS: Well, I cannot think that men in this country were thinking too seriously about it, because we do not export corn to the United States. That would be my personal opinion.

Mr. DANFORTH: Mr. Chairman, this tariff has been interesting me, I would like to point out, for the information of the committee, that the tariff was reduced by the Americans to $12\frac{1}{2}$ cents from 25 cents on seed corn going into the United States. At that time the duty was reduced by the government from 10 cents to 8 cents on commercial corn coming into Canada. In one year that I am familiar with the figures indicate some 27,000 bushels of seed corn went into the United States at the reduced duty of $12\frac{1}{2}$ cents, I believe, but that same year, with the reduction from 10 cents to 8 cents in the Canadian tariff against American corn, there were 34 million bushels of American corn imported into Canada. This is why the corn growers are very disturbed about any action that might be taken in reducing the tariff. In all fairness, Mr. Chairman, I would like to add to what Mr. Whelan said. There have been assurances by the ministers involved that they are not going to take the tariff off this year. They had been contemplating taking it off this year, but in all fairness, since, as Mr. Sharp said, the negotiations on GATT are, and must be in secrecy, it is pretty hard to have the assurance that nothing will be done. There is secrecy surrounding these negotiations and we are given to understand that it is a trading, or a bartering concession in return for a concession. I do not think the corn industry wants to be in a position where we say it is 8 cents concession for some other trade concession on behalf of the American government.

If I recall correctly, one of the recommendations was this one cent per month subsidy that was paid for the storage of western grains in terminal elevators. Do you feel that if the same subsidy was paid on Ontario corn it would make a difference to the feeders in eastern Canada?

Mr. LUDWIG: Mr. Chairman and gentlemen, I think that this could substantially reduce the cost to the farmer in Quebec and the maritimes. I think there are two things. I think he has to have subsidization of freight on Ontario corn to his destination; and I think we realize that this might not give him a continuity of supply. So, therefore, there should be some type of storage in Montreal or Prescott, close to his destination, and this storage should be subsidized so that his cost on the corn is not too great.

Mr. WEBB: Mr. Danforth said that Mr. Sharp made an announcement. Where was this announcement made? It was not made in the house.

The CHAIRMAN: Mr. Webb, if I could say this to the committee: We have spent some time on tariff now, and Mr. Danforth is off on a new line of questioning.

Mr. WEBB: No, this is important.

The CHAIRMAN: I appreciate it is important.

Mr. WEBB: I would like to know where the statement was made. I did not know anything about it.

The CHAIRMAN: Mr. Webb, I appreciate the importance, and if you want to be put on the list, I will be glad to do so, but I just wondered about interrupting Mr. Danforth.

Mr. DANFORTH: I will give way to Mr. Webb.

Mr. WEBB: I would like to ask Mr. Danforth where this statement was made? I cannot remember anything about this statement.

Mr. DANFORTH: I think, Mr. Webb, if I bring this to your attention it was made by the minister in answer to a question by Mr. Olson on orders of the day, and it was around November 16 or 17, I am not sure of the exact date, but it is recorded in *Hansard*. It was in answer to Mr. Olson's question to table the list of agricultural products, if we were going to have the tariff reduced or increased at the Geneva trade talks, and it was at that time that Mr. Sharp, if I remember correctly, stated that these negotiations would have to remain secret. I think he said he hoped that the information would not be available to the members until after the negotiations had been completed, as far as I can recall the statement made. I think if you will look through *Hansard* in the early part of November you will find that recorded there.

Mr. WEBB: He said that the tariff would probably not be removed at all?

Mr. DANFORTH: No, he did not say that.

Mr. WEBB: Well, Mr. Whelan said that he had that information from the minister. I thought you confirmed it when you said that Mr. Sharp made that statement, but we have not heard of such a statement being made, and I think it just looks again like this information is being denied the committee and being handed out to others.

The CHAIRMAN: Would you proceed, Mr. Danforth, please.

Mr. DANFORTH: I am glad that they explained this matter of storage for one cent; one other question on storage: I can appreciate Mr. Whelan's question on local storage, because in our area of southwestern Ontario that has always been a big problem.

I am wondering whether you can explain why it is that we have not corn in storage now in eastern elevators, when I understand that there is storage space available. I know it is on a first come first served basis, but why is our corn not in there? Why do we not get in there on a first come first served basis, and get our corn in storage?

Mr. LUDWIG: Mr. Chairman, it seems to me that when you are speaking of eastern elevators, you are speaking of Prescott and Montreal.

Mr. DANFORTH: Yes, these are the elevators I have in mind.

Mr. LUDWIG: Well, according to evidence presented to this committee at one time, on November 4, 1,600,000 bushels of U.S. corn, plus 57,000 bushels of Canadian corn were at Prescott and Montreal.

Mr. DANFORTH: Is that this year?

Mr. LUDWIG: According to the evidence presented to this committee at a previous meeting, and it would seem to me that there should be some prerequisite for space at Prescott or Montreal, or these elevators will be filled up with western feed grains. It would seem to me that it would be ideal for farmers in Quebec and the maritime provinces to have corn on which to draw. It has to be subsidized, as you can readily see by the figures presented of their cost laid down at their destination.

Mr. DANFORTH: One more question, Mr. Chairman, can you explain to me why it is that there could be, I think you said 1,600,000 bushels of American corn in storage, and only 56,000 bushels of Canadian corn in storage? How could this be?

Mr. LUDWIG: The only reason I can see is perhaps the 1,600,000 American bushels are probably not new corn. It could be corn—I would not make this as a statement—that is purchased at futures, and it may be last year's corn; it may be three years old, C.C.C. corn. This is a possibility, and besides, their harvest starts earlier than ours, and they can bring this in by boat, which again is a cheaper rate.

Mr. DANFORTH: Are you saying this, that the reason we might have only 56,000 bushels in storage is the fact that our corn was not yet available when this grain was put in storage?

Mr. LUDWIG: Yes, I am.

Mr. THOMAS: Several of my questions have been answered so far, Mr. Chairman. One I have here is: What is the effect of these odours that were mentioned in the drying of corn? Now, I can understand that they might affect corn for processing. My question is, do these odours, to the extent that they do exist, affect corn for feed purposes?

Mr. MORRIS: Well, I would answer that, but I will get Mr. Ludwig, because we are both doing some drying with different principles. I use propane gas, and I have no added odour to corn whatsoever from that source. Now, if we get a little bit careless, and let a batch run cool, or run hot, and then put another batch on top, a small layer of mould would start on there, and you would get that little puff of mould going through, but that is just a matter of mechanics, with the operator. There is nothing wrong with the fire we use today for drying corn; there is no problem there whatsoever.

Mr. THOMAS: Well, is corn dried in these commercial dryers, as good for commercial purposes? I understand that some years ago the starch manufacturers and so on would not accept corn that was not dried in the open, on cribs

Mr. LUDWIG: I think this relates back to the fact that they have been involved in the very first commercial dryer that was brought in from the United States. They were using fuel oil, and drying with tremendously high heat. In the past 10 or 12 years this has changed. Mr. Whelan was quite correct. There were some odours due to this, the relative humidity would change and therefore your fire was not the same in the oil, and some processors, rightly so, refused this corn, and I agree, but with the technological advances it does not happen today. It can happen through the carelessness of the operator, scorching the corn but, regarding the product, I think we have to agree that it is difficult to naturally dry corn; it depends on your own personal choice which way you are going to move in the operation here. In my opinion we are not being paid what we should be paid for the added cost of naturally drying this corn. The processing is done within tolerances and limits. We can almost equal the naturally dried corn. Purdue University are now talking about a drierization program. This is their very prime reason, quality, but I think it is proven, as a matter of fact I know it is. We worked very closely with the Distillery Corporation, for a number of years on slow heat and quick drying and I think the

matter of quality will work itself out in very short order to the satisfaction of all involved.

Mr. THOMAS: Mr. Chairman, am I correct in assuming that the part of the corn crop which goes into the processing industry would be relatively small, relatively insignificant, in relation to the whole corn crop? Am I right in assuming that most corn is used for feed purposes? It goes into feed mixes, and not into the processing?

Mr. LUDWIG: Mr. Chairman, it would be conjecture on my part, and I do not have those figures available. I would not want to estimate.

Mr. MORRIS: I would consider that your opinion would be right there, because when you take a feed industry and high moisture and shelled corn and put them all together, I would say that most of the corn goes into the feed channels in some forms. There is another way of marketing this corn, and that is not dried at all, but in a high moisture state. As Mr. Ludwig mentioned, corn was cheap and in a high moisture state down in our county, and there was no reason why the Quebec and maritime farmers could not come down and buy it. Our school at Ridgetown has proved that one bushel of corn fed to broilers or turkeys is equal to dry corn, at 90 cents a bushel.

Mr. THOMAS: Mr. Chairman, assume that the problem of the corn producers of western Ontario and all corn areas is the distribution and marketing of feed corn for feed purposes. According to what Mr. Morris said, the problem is one of storage and distribution facilities. If, as you say, corn can be marketed in the moist condition as corn, ensiled corn, then the problem takes on a different aspect. We have heard difficulties in connection with shipping in box cars, but we are not getting away from this problem of freight subsidy. Is that correct?

Mr. MORRIS: That is right.

Mr. THOMAS: And you are submitting to the committee that in order to place the southwestern Ontario corn producers in a reasonable competition relationship with western feed grain you require this freight subsidy?

Mr. MORRIS: That is right.

Mr. THOMAS: Now, have you any specific proposals to offer as to how this storage situation can be improved? There are three types of storage, as I understand: There is terminal storage; then there is local storage, which is equivalent, the local elevators; and then we have farm storage, which is going to be pretty important if it is going to be put into silos, or something like that. Now, we have to admit that the corn industry is in a state of transition, but that does not spoil your argument at all, that this subsidy is needed to place you in a competitive position with western feed grains.

Can you give us any idea what the freight subsidy on western feed grains does to the producer of grain in southwestern Ontario, whether it be corn or any other type of grain?

Mr. MORRIS: We just gave figures in our brief, saying that corn is at a disadvantage of \$21 less \$3 to western feed grain, which makes it \$3 landed at Truro. That seems to be too much for a farmer in the eastern parts of these provinces to be interested in.

Mr. THOMAS: Can corn be substituted for western feed grain readily? Is it as good as western feed grain?

Mr. MORRIS: Let us put the question the other way around. Can these other grains be substituted for corn? Corn today is the main ingredient in these high energy rations. Someone has to pay too much for corn. If we do not put the corn down there, the Americans are going to. That is all it amounts to.

Mr. THOMAS: Well, there was some suggestion made that possibly a write-off would do it. Now, I take it you are referring to a write-off under income tax, an allowance for depreciation. Have you any specific suggestions to offer in that regard?

Mr. MORRIS: I do not believe, sir, that an elevator man, or a farmer is going to build a dryer or storage elevator unless it could be profitable to him, and under the circumstances I see today it is not profitable. We have to have a fast write-off if we are going to have these storages, either in the hands of the trade or on the farm.

Mr. THOMAS: Possibly if we could get Kent and Essex counties, south-western Ontario, declared a depressed area, we might get some assistance in that regard.

Mr. MORRIS: I do not think that our area, sir, will ever become a depressed area. We are not ever going to let it do that. We have blisters on our hands, but I would suggest that you gentlemen find out from the income tax people, right in this city, who pays the most income tax, and I am pretty sure you will find it is the western farmer, but we are not hard up, and we are not going to be declared a depressed area.

Mr. THOMAS: In relation to this American corn, I would like to ask if my assumption is correct that there are huge quantities constantly in storage?

Mr. MORRIS: Yes.

Mr. THOMAS: Which have been in storage for a number of years, and therefore they can get this corn into the storage in eastern Canada, whereas with the Ontario corn there is no surplus?

Mr. MORRIS: No.

Mr. THOMAS: There has never been a surplus?

Mr. MORRIS: No, we do not supply the market.

Mr. THOMAS: And therefore with the Ontario harvest coming on later in the season, the storage is all filled up before the Ontario corn comes on the market and with the shortage of storage facilities in the area where corn is grown in Ontario, there just is no way to take care of this corn. We have these rumours of corn spoiling in box cars in Montreal, which, of course, is very unfortunate, but does this American corn enjoy any advantage over Ontario corn, other than that it is available for market at any time? How does the present freight set-up affect the Ontario corn grower, as compared with the American corn producer in connection with our eastern Canadian market? Does American corn enjoy any advantage over Ontario corn, or does it not?

Mr. MORRIS: I understand, sir, that the freight rates are not too drastic between our country now and Montreal on corn, but this American corn is available when storage space is available, and it lands there because it is actually, as I understand it, paid at a disadvantage of 15 cents a bushel. They have to get 15 cents more than our corn is worth.

Mr. THOMAS: That includes, of course, the 8 cents protective tariff, and of course involves the $7\frac{1}{2}$ per cent.

Mr. MOORE: I have a supplementary question: What would be the average storage necessary, say, on the corn farms in your area if you were to store the corn on the farm other than what you could sell at harvest time? What would be the size of the storage?

Mr. MORRIS: Mr. Moore, it would appear that there are a lot of combines coming into the country, and they are advised not to combine corn unless they have at least 10,000 bushels, so it would appear that at the rate these combines

are coming in, if that was a rule of thumb to measure by, these farmers are going to be large or larger, and it would be shelled corn, and it would have to be stored in a shelled corn condition.

Mr. MOORE: I am a western farmer, and I would say that on the average on a western farm we have to store 10,000 bushels until such time as the quotas are over. I might add as an aside that we do not get any write-off.

Mr. MORRIS: You do get a real nice freight subsidy though.

Some hon. MEMBERS: No, there is no subsidy.

Mr. MOORE: The western farmer gets no subsidy.

Mr. MORRIS: On western grain coming to eastern Canada?

Mr. MOORE: That is a subsidy from Fort William on, and that is strictly for the benefit of the feeder, not the farmer.

Mr. MORRIS: Well, you give it a subsidy from Toronto on then, and we will saw off that the same way.

The CHAIRMAN: Have you concluded, Mr. Thomas?

Mr. THOMAS: If I might ask one more question: Does your corn association feel that more terminal storage or government storage in the home area, for instance, or somewhere along the line of transportation to eastern Canada, say at Hamilton or Toronto, or some point along the shipping line would be an advantage?

Mr. MORRIS: Oh, definitely. Those cares would not be sitting in Montreal today, I assure you, if we had the storage. We have to have the storage.

The CHAIRMAN: I have Mr. McIntosh, Mr. Jorgenson, Mr. Mullally, Mr. McBain, Mr. Beer and Mr. Doucett.

Mr. MCINTOSH: Just to introduce myself to the delegation; I represent a rural constituency in western Canada, and someone made a remark about western farmers paying income tax, and I wonder if that same person ever heard the story about far fields look greener. My colleague across the table, another representative from the rural west, said that as you started out with these questions you seemed to be having the same growing pains as we had years ago, and I ask you farmers of eastern Canada to try and understand the westerners, because we have the same problems as you have, and we have no more concessions than you do. In fact, we have fewer, but that will start another argument.

The CHAIRMAN: Do you wish to ask some questions, Mr. McIntosh?

Mr. MCINTOSH: First of all, I would ask the delegation what is the purpose of this brief? I ask it because there does not seem to be a summary at the end of it. In the last paragraph here you are protesting, as I understand it, the establishment of a government agency for marketing feed grain. Is that the full purpose of the brief? There appears to be conflicting statements and I refer to the first paragraph, where you say: "The deletion of subsidies", and in the third paragraph you say: "In our opinion the solution lies in the subsidization of transportation and storage of Ontario corn to eastern points—." To me that seems to be a conflicting statement. In one you say you do not want subsidization, and in the other you do want it.

The CHAIRMAN: Were you here when the secretary summarized the brief?

Mr. MCINTOSH: Yes, I was here.

The CHAIRMAN: That does not appear in the brief, but the summary was given exclusive of the brief and will appear in the record.

Mr. MCINTOSH: I wondered if I could have those five points again?

Mr. MORRIS: They are there, sir. We tried to keep the brief as short as we could, and not clutter it up.

Mr. McINTOSH: Then my main question is: What is your main objection to what you say in paragraph 3, the establishment of an authority to control eastern feed grains?

Now, I am in sympathy with you. I mean, I am a free enterpriser also, but I know what the wheat board has done for western Canada, and I would like to know what your objections are?

Mr. MORRIS: I will not take all day to answer that question, but I feel it is a very ticklish one, and a very important one, and I think we will start by saying that the wheat board exists for the benefit of the western farmer. I do not think there is any doubt about that in this room, but if you stop and think what this thing would do for the cattle industry—I happen to operate a small feed lot in cattle and just what would happen if we had a rigid agency making a rigid price on feed grain—I do not know what this agency is going to be set up along, because we cannot find out, but let us assume that they would have a rigid kind of, what we call a frigid price on grain. In other words, they would buy it from the wheat board, and maybe they would lose 20 cents a bushel on it. There is no one going to pick up the tab. Now, they would have to maintain that price to the western farmer. In others words, American corn is working over a low fence of 8 cents a bushel. Do you know what that means in fattening a thousand pound steer? There you have American corn, not coming in in box cars, but walking across the border inside of hides. You cannot have a rigid price in Ontario, or the eastern provinces, on feed grain.

I have in front of me here the last monthly bulletin of livestock prices at Guelph. It shows the trend of the cattle market in Canada, the imports and the exports. In the months of April, May, June, and July we are importing cattle, slaughter cattle imports, from the United States, 30,000 head. Over here, August, September and October we are exporting 22,000 head, a cent and a half duty both ways. There is some rumour, gentlemen, they are going to take this duty completely off cattle. It will be a shock at the first time, but I think if it goes both ways we can get over that. I am really worried about that duty as a corn and beef producer.

Mr. McINTOSH: The cattle question is a separate question altogether.

Mr. MORRIS: No, it is not; it is tied right to it.

Mr. McINTOSH: Well, we are concerned with that just as much, and maybe more than eastern Canada.

Mr. MORRIS: You had better be.

Mr. McINTOSH: And I will take this time, Mr. Chairman, to explain why maybe we should not go into the cattle question at the present time. I was concerned about the import of cattle from the United States affecting the Canadian market. As a matter of fact, I was very critical of the government at one time for not exploring the U.K. market for cattle. However, my plea was to leave the U.K. market alone at the present time. Our market is in the United States, and do not get lobbyists in the states getting their government stopping the import of Canadian cattle there. Granted, in the last few years the price has not been so good but you are not losing too much money. I am talking as a producer now. It is a long term policy.

My other question was: In your opinion why was this 8 cents tariff being taken off corn? We had the same problem before, two or three years ago and I have nothing against the present government, because I think we were in power at the time. I could not understand, when there was a surplus of feed in Canada, why we were encouraging the importation of corn from the United States.

Mr. MORRIS: We cannot get along without corn in Canada, but we also have to produce beef cattle, too, and do not forget corn can come in wrapped up in hides. Keep that in mind, please.

Mr. JORGENSEN: Mr. Chairman, first of all I would like to say that I appreciate very much the Independent Commercial Corn Growers Association of Ontario appearing before the committee today, because some of the points they have expressed remind me of the problems we went through in western Canada 20 years ago. Perhaps you might be able to get some help if you took a trip out west and learned how we overcame these difficulties. There are a good many similarities, and I agree to a large extent, the answer is farm storage, in addition to other types of storage, and I am glad to see that your organization is proceeding in that direction.

These drying problems I think can be overcome. We had the same problems out west. One part of the brief I would like to comment on is, the last paragraph, number 7. I would just simply like to make a correction here. I think perhaps there has been misinformation. You mention here that the Canadian wheat board has freed the feed mills and feeders in western Canada from price and quota regulation. This word "feeder" should not appear, because feeders never were subjected to the regulations of the Canadian wheat board at any time.

Mr. MOORE: That is within a province.

Mr. MCINTOSH: Within a province. Also, the feed mills were never subjected to the price control of the Canadian wheat board. They were subject to quota regulations, but not price. Apart from that I think the brief is a very good one.

There was earlier a statement suggesting that corn could be bought relatively cheaply in Ontario if someone would only come and pick it up. Could you tell me if say the Coopérative Fédérée in the province of Quebec is associated with your organization in purchasing?

Mr. LUDWIG: Mr. Chairman, they would not be dealing directly with us, because we are not in the handling and processing; we are simply an organization representing the farmers, but I can see the only deterrent that would hinder them from dealing with our trade representatives is the storage problem, but the big hindrance would be the cost of transportation to get it there.

Mr. JORGENSEN: Yes, I agree as far as transportation is concerned. I was wondering, however, to what extent you would be able to supply the market in Ontario? You say you could extend production six or seven times.

Mr. MORRIS: I had to look out the window in amazement just outside Ottawa, to see corn in the fields.

Mr. JORGENSEN: Where would you get that expanded production; on existing or extra acres?

Mr. MORRIS: Yes.

Mr. JORGENSEN: Does that mean that other forms of production on that acreage would go out of existence?

Mr. MORRIS: Yes.

Mr. JORGENSEN: How would that affect sugar beet growing in Ontario?

Mr. MORRIS: Not too much. We are increasing the corn per acre both by man hours and bushels per acre. I think we have just about doubled it.

Mr. JORGENSEN: What percentage of your corn goes into manufacturing purposes for distilleries?

Mr. MORRIS: We did not come here to drift off into that field.

The CHAIRMAN: The witness does not know. It was asked previously.

Mr. MORRIS: We could have had that, but we have not.

Mr. LUDWIG: Please, gentlemen, we are not here attempting to better our position at the expense of the farmer in Quebec and in the maritimes. We would like them to be able to buy our product as cheaply as they can. We do not want to take advantage of the position that we do not produce enough corn to satisfy their demand.

Mr. JORGENSEN: I did not mean that, but I was recalling a statement made with respect to the province of Ontario that eventually they would hope that eastern Canada could supply all their demands eventually, and I wanted to determine what percentage of your total production went into the manufacturing field, as opposed to feed requirements. I understand Seagram's are carrying on research at the present time to produce a variety of corn for their purposes, and they have a market for a 100,000,000 bushels, and I was asking the question with relation to this knowledge, and wondering if you were intending to divert some of this production into manufacturing purposes?

Mr. DANFORTH: There is a tremendous increase in the production of corn because, if my memory serves me correctly, the Ontario production in 1959 to 1960 was 16,000,000 bushels, and this year it is 52,000,000 bushels, which would give an indication of the drastic increase in the last four years.

Mr. MULLALLY: Mr. Chairman, the first question I would like to ask is: can the gentlemen tell us where they market most of their corn? In other words, what percentage goes to eastern Canada, and so forth?

Mr. LUDWIG: Mr. Chairman, this is rather difficult.

Mr. MULLALLY: Just in round figures, a rough estimate.

Mr. LUDWIG: It would be difficult for us to do this, because we lose identity of our corn the moment the local elevator man gets it.

Mr. MULLALLY: So, therefore, you do not know how much could be sold in eastern Canada, principally Quebec and the Atlantic provinces, or parts of eastern Canada? You would have no idea how much of your corn could be marketed in that area?

Mr. SWANTON: No. My belief is that if you refer to a former brief by Mr. Fleming of Truro, you will find out that in his opinion they need Ontario corn, but because of the high freight rate and its high cost they cannot use it in the quantities they would like to use it in. We would like to put it there.

Mr. MULLALLY: That probably leads to my second question: how much extra corn do you think you could market in this area if you had feed freight and storage assistance similar to the assistance given to the western feed grains?

Mr. LUDWIG: I think this would be determined by the amount that the farmers and the feed mills in Quebec and the maritimes required. We have no way of knowing.

Mr. MULLALLY: You mentioned that you thought that storage at the farm is the most practical and necessary storage. Would you be expecting that you be asking for government assistance in providing this type of storage?

Mr. LUDWIG: Mr. Chairman, we did not want to leave the inference that we felt that this was the only place that it should be stored. We felt that storage on the farm perhaps is the most economical and the proper place to take care of the excess glut that comes on the market in harvest time, but we are not saying that we do not think it is economically feasible for the Quebec and eastern farmer to buy it, and store it at Prescott or wherever else he desires.

Mr. MULLALLY: You think that should be stored on the farm?

Mr. LUDWIG: We think so.

Mr. MULLALLY: Do you think you need additional storage at places like Cornwall and Prescott?

Mr. LUDWIG: Well, if this is satisfactory with the eastern farmer.

Mr. MULLALLY: You think you need additional storage in eastern positions, then?

Mr. LUDWIG: Speaking personally, myself, I would sooner have it on our farms, to take care of the glut at harvest time.

Mr. SWANTON: When the corn is stored on the farms of southwestern Ontario, where it can be sold in a gradual process of delivery to the elevators there, it will mean less handling. It can be sent direct by rail during the winter months to the eastern provinces, without all this loading and unloading that is involved in the handling of corn, and to that end it is both profitable to the farmer who produces it in southern Ontario, and to the maritimes buyer of that corn.

Mr. MULLALLY: I am going back to something Mr. McIntosh asked: in the last paragraph of your brief you come out very strongly against the creation of any government agency for the marketing of feed grain in eastern Canada. Now, this does not seem consistent with the request you made. You request, first of all, storage space in eastern locations, and freight assistance, the retention of a duty and so forth.

Do you not think your interests could be better looked after if you had a supervisory, or regulatory agency in eastern Canada affecting all eastern grain, that would allot space, that would look after the interests of your industry, as well as the grain coming from the western provinces?

It does not seem consistent with the picture you painted to have you come and say we do not think it should be supervised.

Mr. LUDWIG: Mr. Chairman, all we are requesting actually is that we have assistance on freight, and that we have storage on our own farms, and we think that we are capable of managing quite well with storage on our own farms, and then we would let the normal trade channels take care of the remainder.

Mr. MULLALLY: You are complaining, for instance, about the fact that there is no storage in Montreal. Who do you think should look after this, to alleviate this and see that you get your fair share of space in the elevators? I am not thinking so much of the marketing agency as of a controlling agency.

Mr. LUDWIG: Perhaps we were speaking on behalf of the elevator owners in Montreal. They are the ones who are taking the loss.

Mr. MULLALLY: Ultimately the producers and the feeders take the loss. Why are you opposed to an eastern agency, other than the fact that Mr. Morris mentioned? I am not thinking so much of a marketing agency, but something that would control and supervise this?

Mr. MORRIS: Before I get enthusiastic about any type of agency, sir, I would like you to spell out what you have in mind for an agency. Nobody tells us what it might be. I do not want any Frankenstein looking after our corn. We have enough—

Mr. MULLALLY: You say you have these things, but obviously they are not looking after your interests when you have no storage space.

Mr. MORRIS: They should be. We should have people that are existing today that are not moving in the proper way. They are ordering American corn to come in that we could have, but I do not think that has to wrap up prices.

Mr. MULLALLY: Do you have a corn marketing board?

Mr. MORRIS: No, thank the Lord. We got rid of that before it started.

Mr. MULLALLY: In view of the fact that the wheat board has been so successful in marketing grain products in the west, why do you not favour a marketing board?

Mr. MORRIS: That could really get involved here this morning; the clock is running around. I am not afraid of the question; I would just love to tangle with you on that one.

The CHAIRMAN: Just answer the question please.

Mr. MORRIS: Because we like free enterprise; we are a free enterprise group, and I think that possibly, and I just hate to criticize the western wheat board, but I do not think you fellows have lived with a free market. Some of these older gentlemen in this room have, but you have not, and I do not think you realize what is happening.

Mr. MULLALLY: Well, I come from Prince Edward Island, and when I see how successful this wheat board has been in the west, I am not criticizing your views, but would it not also be helpful to your corn growers?

Mr. MORRIS: We do not think so. We had that thoroughly thrashed out two years ago, and the farmers of Ontario voted on it, and it was so overwhelmingly defeated that I hoped we would not hear about it again.

Mr. MULLALLY: I am just going by what I have seen.

Mr. MORRIS: It would not do any good financially to the farmers of Ontario to have some agencies selling corn.

Mr. MULLALLY: How does the price for corn this year compare with last year?

Mr. MORRIS: There is not too much difference in the price of corn. We have American corn coming in, and I believe it is just about the same as far as I could see. There would be very little difference in the net price to the farmers between this year and last year, and if you notice we do not ask for any extra duty on corn.

Mr. McBAIN: Could you give the price in your district?

Mr. MORRIS: Well, I did not sell any corn at September 1 last year.

Mr. LUDWIG: One dollar and twenty-seven cents, versus \$1.20, about seven cents difference.

Mr. MORRIS: This year we have had an awful flood of corn.

Mr. MULLALLY: With the big crop you have had this year you are going to be better off?

Mr. MORRIS: Financially. I would say there are more dollars coming into the area per acre.

Mr. McINTOSH: Does the price of the corn fluctuate according to the time of the year?

Mr. MORRIS: Yes.

Mr. McINTOSH: What is the variation between the minimum and the maximum?

Mr. LUDWIG: Mr. Chairman, the fortunate farmer who had an early variety of corn, and was able to hit the market in early September, and this was very limited, I know of two, two or three, and it was bought on a day to day basis, they received the same as old corn, which was at that time \$1.40 to \$1.45. This was only happening in a very, very few instances, but immediately the harvest of the new corn came in, down went the price to \$1.20. The elevators buy this corn; they store it up, and this is why they were here asking for assistance on corn. They will hold this corn back, and

sell it in January, February, March and April. I know corn that was put into a crib, and the man has a contract. The corn is going to come down here, and this man is going to realize \$1.45.

Mr. MULLALLY: To summarize it, your committee is asking for four things: feed freight assistance of Ontario corn, comparable to the assistance paid on western feed grain; adequate storage space in eastern positions, eastern terminal elevators; a storage payment of one cent a bushel; and the retention of the eight cents tariff.

Mr. LUDWIG: Not necessarily are we advocating storage terminals. We would like to stress local. We will leave this up to the people in Quebec and the maritimes; if they feel that they can be better served by this it is quite all right, but we are concerned with having our surplus and glut in our own hands.

Mr. MULLALLY: We have a request from a group called the commercial corn committee of Blenheim, Ontario, to meet us next week. What is the relationship between your group and this group?

Mr. LUDWIG: Well, I think there already has been a brief presented, not necessarily to this committee, and it came from this very group. These gentlemen are interested in feed corn.

Mr. MCBAIN: Mr. Chairman, sometimes I think probably we forget what the objective and the order of reference for this committee is, that we are to inquire into how we as a committee can recommend to the government how the eastern feeder may acquire feed grains at a cheaper price, and we do appreciate the gentlemen coming from southwestern Ontario and being with us today to outline some of the problems they are having in marketing their tremendous crop of Ontario corn.

I notice on page 2, paragraph 2, where the estimated production this year will be over 52 million bushels. Last year the estimated production was somewhere around 36 million bushels, and this is in one year an increase of nearly one-third over our previous production of a year ago. Well, naturally this entails storage problems, because for the information of our members on the committee who are from western Canada and other provinces, this corn, if it is stored as shelled corn, cannot be taken from the field, shelled, and immediately stored. It has to be dried, whereas we do expect our wheat, oats, and barley that are marketed in western Canada to be in a condition for immediate storage. Weather conditions may prevent that, but again in producing this corn crop our time of harvesting is limited. If the snow conditions are satisfactory, it could be harvested, technically, all winter long, but there is another factor that enters into that. The soil in this area is of a heavy nature; it is usually more satisfactory to harvest the corn and plow the stubs down in over the winter, and immediately in the spring the ground is plowed ready for a new crop.

What I am concerned about, and maybe a member of the witnesses can tell me, is how much of this corn this year is being harvested by a sheller picker, compared to what it was two or three years ago, where it was usually harvested, stored and dried, and sold at a later date? Percentagewise?

Mr. MORRIS: It would be fairly difficult to even answer that question. We seem to be having difficulty with several questions here, but answers and figures on a thing like that are hard to come by, but in my particular area, if we could pin it down to there, I would say we have about reached the half-way mark for shell corn against ear corn.

Mr. MCBAIN: Another factor is the high cost of providing farm storage, and I am thinking also maybe of farm storage for corn that is picked on the cob. Does that enter as a factor, that much of this corn is immediately sold even in the cob state, to an elevator?

Mr. MORRIS: The figures tell us that cob corn costs more to store than shell corn.

Mr. MCBAIN: I think you have given evidence that there is a large number of box cars in Montreal with corn, and that the moisture is almost too high for storage in terminal elevators. Is it redried?

Mr. MORRIS: It might be redried, and re-aerated, but I think the problem lies in the internal heat migrating to the top when it is in the car, and there is nothing to aerate the corn.

Mr. MCBAIN: In other words, if the corn is taken out of the dryer at 14 per cent moisture, when it reaches Montreal it may be 16 per cent. Would there be that much variation?

Mr. MORRIS: The top could be even higher than that, because of the condensation caused from heat to cold.

Mr. MCBAIN: Is there a process being worked out where this corn could be aerated and cooled down before it is put in cars? Would that be a benefit to the shipping of corn?

Mr. MORRIS: It is supposed to be done that way.

Mr. LUDWIG: I think what happens here is this: You must realize that the commercial operator operating an elevator buys corn from maybe 40 producers. One chap may have one 24 per cent, another one 27 per cent, one 28 per cent, maybe 30 per cent, all over the place. Now, he is running a commercial dryer; he cannot segregate it, and therefore he puts it through on a continuous basis. And this is our point for storage and drying on the farm; we think that as the farmer does this there is more continuity in the moisture, and better quality. This is what happens in many cases with our commercial drying establishments; they are not getting a uniform drying of the product, and this is why they are running into the big problems on storage.

Mr. TARDIF: Is there much difficulty in harvesting corn if it is allowed to freeze before it is picked?

Mr. LUDWIG: That depends on whether it is mature corn.

Mr. TARDIF: I mean mature corn. Would there be less moisture if it froze?

Mr. MORRIS: I do not think the next day there would be any difference, but if it was frozen when we are picking I do not believe there would be any difference.

Mr. MCBAIN: Would any of the gentlemen have the information on approximately how much of the United States corn Canada requires this year, with our 52 million crop of Canadian corn?

Mr. MORRIS: I would not care to hazard a guess, on account of the increased demand for corn. It will be in the millions of bushels.

Mr. MCBAIN: Evidence was given that in one year 36 million bushels was received from the United States. That year we were only producing 16 million bushels, so possibly we have now reached a stage where we can provide our own requirements for corn.

Mr. MORRIS: I would say we are six years away from that point yet, if I might put a personal opinion out.

Mr. WEBB: I have a supplementary. The witness mentioned that the moisture content at the commercial dryers is hard to control, and the last delegation that was here stated that the moisture content was more uniform in the import corn from the United States. How do they attain that?

Mr. LUDWIG: I think this is due to the fact that we find in the United States, owing to their geographical location, they will have much drier corn to begin with than we do, and less variation.

Mr. WATSON (*Assiniboia*): Mr. Chairman, a good many of my questions have been answered, or asked and answered, to a certain point partially answered, and I agree with Mr. McIntosh. He brought out the point that the eastern grower today is going through a great many of the pains we went through 25 years ago. I was interested in Mr. Ludwig's statement with regard to a quick write-off on storage space, and I would like to ask him just how widespread this feeling is among the eastern producers? How many of them are thinking this way, and I would like to qualify this a little bit, by saying that this has been my feeling for a long time. At one time I felt that the farmers should be compensated by means of storage payments, possibly, but I think this is out, and I would like to just see what his version is as to how widespread this is, because I think that in a speech I made last year in the house I brought this out, about quick write-offs.

Mr. LUDWIG: I think that any man contemplating any type of storage, whether ear, or particularly dried and shelling process, would be vitally interested in this, but getting back to your question on the storage now, I am not advocating that you pay Ontario farmers storage, because how could you be sure that this would not, in turn, be passed on to the maritime and Quebec farmers? You might pay a subsidy if we stored it on our farm, but we lose identity on our corn as soon as it leaves our premises. I think it is a very touchy question, and if you people can work out some way we can get our corn to the farmers in the east, we are willing to take any increase, because it will help us get over this glut at harvest.

Mr. WATSON (*Assiniboia*): Coming back to building your own storage, and having a quick write-off, I think I suggested in the house that possibly this should be up to 20 per cent, or something like this, comparable to the write-off on machinery. Would this go along with your line of thinking? You would not be opposed to putting up the money for the farm storage if it could be written off, and you could recover your money in, say, five years?

Mr. LUDWIG: I think this is a very fine point, and we would agree with this.

Mr. MORRIS: I want it recovered in my life-time, anyway.

Mr. WATSON (*Assiniboia*): I think most of the new storage going up is steel, especially in the west, and I think down here, and I believe it is possibly $2\frac{1}{2}$ per cent on steel buildings, and we are getting farther away from what we are trying to achieve.

Mr. LUDWIG: That is correct.

Mr. WATSON (*Assiniboia*): I would certainly like to go to bat on this, because this is one problem I feel is your problem, and also our problem in the west, and it is a big problem in the west. A question was answered regarding approximately 10,000 bushels storage; is this your entire year's harvest, or just part of it?

Mr. MORRIS: We were talking about the average farm; I did not say this was my own, because I have high moisture corn in silos.

Mr. MCINTOSH: What would be the average production per farmer?

Mr. MORRIS: It runs all the way from three acres to 3,000 acres.

Mr. MCINTOSH: I think what Mr. Watson is trying to get at is what percentage of your crop would have to be stored.

Mr. WATSON (*Assiniboia*): That is right.

Mr. LUDWIG: I would suggest that 50 per cent would probably be a realistic figure here.

Mr. WATSON (*Assiniboia*): You see, where our problem is a little different from yours, I think that every farmer in western Canada must have storage space for his entire crop, and I do know that at times in western Canada we have had as high as 900 million bushels stored in the farms and in elevators, and this is a point that I think we have to go to bat on, that is the farmer is discriminated against by the fact that he has not got this quick write-off.

Mr. MORRIS: It is not realistic anyway; let us put it that way.

Mr. WATSON (*Assiniboia*): When a farmer in eastern Canada delivers his grain do the elevator companies in the east receive storage on this from the government, or whoever it is, at the time that it is delivered?

Mr. MORRIS: Not on corn.

Mr. LUDWIG: Do you have specifically in mind corn?

Mr. WATSON (*Assiniboia*): Well, grain in general. In the west, once we deliver grain to the elevators, within two weeks after that the farmer starts paying storage, if it is still his grain in the elevator.

Mr. LUDWIG: We find it almost impossible to get an elevator in south-western Ontario to physically store corn for us. They have not got the facilities; they hold it for themselves, and I think they would agree that the type of storage they are in it would not be economically feasible.

Mr. WATSON (*Assiniboia*): In other words, the eastern producer is not in a position where he can haul grain into the elevator for payment next spring. You brought up where a man sells now, and gets \$1.20.

Mr. LUDWIG: This material, sir, was physically stored; in other words, it is being held right there.

Mr. WATSON (*Assiniboia*): For you?

Mr. LUDWIG: No. This is one specific case I am speaking about.

The CHAIRMAN: I think the point is this is being held by the elevator operator, rather than the farmer.

Mr. LUDWIG: And I might add, this is a new experiment this year by this particular company; this is the first time this has happened.

Mr. WATSON (*Assiniboia*): He is storing it on behalf of the producer, on his own?

Mr. LUDWIG: The producer in this particular case eventually sold this corn.

Mr. WATSON (*Assiniboia*): He gets cash for it, in other words, and he is through with the corn?

Mr. LUDWIG: That is right.

Mr. WATSON (*Assiniboia*): While Mr. Whelan is still here, I wonder if he could tell us what date he got that letter from the Minister of Trade and Commerce, that the tariff on the corn would not be removed?

The CHAIRMAN: Mr. Watson, I do not think it is proper to ask a question of another member. I know we have had some latitude in this this morning.

Mr. WHELAN: It is in my office, I cannot remember the date, but I am still just as proud as could be that that announcement was made, whether it was made through regular channels or not, because I feel that it had an effect on steadying the corn market in our area, the thought that this was going to be done, and I will present it to the committee at the next hearing.

Mr. BEER: Mr. Chairman, I do not wish to delay the hearing, and I am not sure what time you would like to adjourn.

The CHAIRMAN: We usually conclude at about 12.15.

Mr. BEER: I would like to compliment the independent corn committee on the excellent presentation of their brief; I think it is a thoughtful one, and you, I think, will appreciate that most of us here are not experts in your particular field. You are in a specialized type of business, and when we ask questions we do not ask questions to pry into your business, but rather for our own enlightenment.

You mentioned that yours is the Independent Commercial Corn Growers Association. How many different organizations would represent the corn growers of western Ontario?

Mr. MORRIS: I am sure the federation of agriculture would be interested in the corn growers of western Ontario. The Ontario federation and the farmers' union have presented a brief to your body, proving that they had some interest, one way or the other, and the feed corn committee have an interest, because they do produce some commercial corn as well as feed, but I feel that our organization represents just the commercial corn industry in Ontario.

Mr. BEER: And your organization was established last year, five years ago, or when?

Mr. MORRIS: Well, it is about two years ago, I would say, that we did have organization meetings when we had our vote in Ontario, and that would be where it started, and after this vote was over, and the smoke had settled, as I said, we had another meeting involving the federation of agriculture, and other people, and we were asked at that meeting to prepare for the future, and we did.

Mr. BEER: Do you have a membership, and if so, how many members would you have in your organization?

Mr. MORRIS: We have membership cards, but we are not organized to that extent, let us say.

Mr. BEER: The second question that I did want to ask, and I think probably it has been touched on to quite an extent, is that there has been quite a substantial increase in the acreage devoted to corn in the last ten years. Can you tell me about how much that amounts to? I have the figures for 1963 compared to 1964, which represents a 25 per cent increase, but over a ten year period has our acreage devoted to corn more than doubled?

Mr. LUDWIG: Yes, definitely so.

Mr. BEER: Are we growing a 100 per cent more corn, 200 per cent?

Mr. SWANTON: I would say we have tripled our production in three years.

Mr. BEER: In other words 300 per cent increase. You recommend in your brief that certain things be done, that this freight assistance be paid, and a storage payment, and so on. Would this have a tendency to increase the number of acres that might be devoted to corn?

Mr. MORRIS: I would hope it would, because I am thoroughly convinced that if there is any solution to the farm problem in Ontario it will rest in corn. The more acres we can see coming out of grass, and hay, and small grain, and replaced by a crop that has a potential of three to one, I do not see how those farmers can fail, producing a commodity which is vital to Canada in this new field of high energy rations.

Mr. BEER: Is it possible that this encouragement might encourage the growing of corn in areas not entirely suitable to the growing of corn?

Mr. MORRIS: I would like to answer that question for Ontario, because the highest yield corn was not in Iowa, but the farthest northwestern state, Washington, and that is rather amazing. In other words, where is the corn

area? The corn area is where you have an alfalfa plant growing. If you can grow alfalfa, you can grow corn. We are not driving Ontario farmers into a field they should not be in. They have been away backward in that in Ontario.

Mr. BEER: In 1964 the estimated production of corn is 52 million bushels, and you say you could expand the volume by six or seven times. If we increased it by seven times, we would then have 364 million bushels of corn produced in Ontario. I think that this would be about equivalent to the long time average for the production of coarse grains in all of our western provinces. I am not trying to trick anyone in this, but to bring out a point. Would this encouragement that you are asking for today, that would increase the production of grain, encourage the production of grain in marginal areas, or areas not suitable for the growing of corn, in effect ruin the market for corn growers now in the business? If you increase the production of turkeys, or any single product to the extent that there is not a market for it, you only cut your own throat, and I wonder if what you advocate might not have that effect over a long period or even a short period?

Mr. MORRIS: You are assuming these same acres that we have taken out of the production of hay and oats are still in there. They are not, you see. We have eliminated the problem. This increase, as far as the farmer is concerned, is only half of what you are suggesting it would be then. We have eliminated the oats, you see; we have eliminated the small grains now. What about the percentage of this corn that would go into silage? You see that is the biggest crop that is going to hit Ontario. It is not all going into grain. We measure it in grain, but I suppose there would be half of that that you are suggesting there would be in the silage crop. I would hope it would be, because that is where the product lies.

Mr. BEER: Are we talking this morning in terms of the corn crop as a whole, or as a grain crop?

Mr. MORRIS: You are talking about the whole crop now when you advance these figures and I am telling you what we read into the future.

Mr. BEER: I assumed that this had to do with the growing of grain corn in Ontario. Would this tremendous expansion in the growing of corn have a dislocating effect if it were carried to that extent; would it have a dislocating effect, rather than a balancing effect on Ontario's agriculture?

Mr. SWANTON: In my opinion, frankly, it would not, and I would go back and quote from a recent article by Professor Ewin of Guelph, in the last copy of the *Poultry Farmer* of Ontario, that the growing of corn was vital to the economic conditions of the whole country, in that it would go into the production of eggs, and meat, and food to serve an ever growing population in this country. We have 19,500,000 people in Canada; we have an ever-expanding market for our food, and an increase in production of corn in Ontario I doubt would keep pace with the requirements for that in all of Canada.

Mr. BEER: We must in all our deliberations remember that you can buy expensive gold, too. With regard to storage on the farms, can you tell me, if you build a storage and put in a dryer on your farm today, what depreciation are you allowed in your tax write-off and what do you recommend that it should be?

Mr. LUDWIG: I think the write-off today is in the vicinity of 2½ per cent. We do not feel that we are experts on this; I think we are willing to let competent men and bodies decide what this should be.

Mr. BEER: You do not have a fixed opinion on what it should be?

Mr. SWANTON: That 2½ per cent rate is 40 years for storage. The write-off of 10 per cent against the mechanical equipment used in it is reasonable in so far as farm machinery is concerned, but the actual recovery under 2½ per cent

for storage is ridiculous because very few storage buildings last 40 years. They should at least be reduced to half that amount, at least I would say 5 per cent. That is just my own personal opinion.

Mr. BEER: I have some questions with regard to the agency which you feel would not be helpful in eastern agriculture. We have been moving grain from western Canada, and the western producer, of course, has his marketing board. I assume, or we might assume, that an agency in eastern Canada would be, I do not say a competing, but a dealing organization that would deal with the representative organization of western Canada, and yet the organizations which represent the western producers, and I have reference to the farmers union and the federation of agriculture, have come out in their briefs and supported the establishment of an eastern feed grain agency, and here we are with an eastern group who feel that this would not do the job. Even though it brought about a more orderly disposition of the product that you are producing in eastern Canada, you feel that there is still reason for opposing the establishment of such an agency?

Mr. LUDWIG: We are dealing with a product that is not in huge supplies such as it is in the west, and we are not concerned with exporters, such as they are with wheat in the west. We have a great many outlets for our corn; we have the starch industry, the feed industry in Ontario, the distillery industry, and we fail to see the reason that we should have some firm or agency directing us here. The only thing that is bothering us is that we cannot get it to the farmers in Quebec and the maritimes at a competitive price.

Mr. BEER: If we increased the production to the extent seen in your brief, is it possible that we might become a corn exporting country, and if so, to which countries?

Mr. LUDWIG: I think that this would probably work itself out over maybe a period of 10 or 12 years. I do not think this production is going to take place in one or two years. I think it will take some time.

Mr. McINTOSH: I have a supplementary: If your production reaches the maximum of 7 times what it is at the present time, in your opinion would it create a surplus of corn?

Mr. LUDWIG: There again, if we were to do this in one or two years we would be in real rough trouble, but we are not anticipating this. This would only happen as long as we have plant pathologists who can produce a corn that can be grown, say in Manitoba or the maritimes, depending on its geographic location.

Mr. McINTOSH: The domestic consumption would look after that increase?

Mr. LUDWIG: I think it would.

Mr. THOMAS: One short supplementary, and this is a bit touchy, and I want to get it just right: Does your committee object to this suggested feed grain arrangement in eastern Canada on the grounds mostly because it is unknown, its scope of operations is unknown; that it might be that you could agree with such an organization after you got a chance to understand what the purposes of the organization are?

Mr. LUDWIG: This is a possibility, sir, yes.

Mr. JORGENSEN: Would you be opposed to a regulatory body? I think of Mr. Mullally's suggestion just a moment ago. I do not know whether he said regulatory or regulatory agency, but I am thinking of the type of agency that would simply, without interfering in the price structure, allow the free market forces to determine prices; just an agency to ensure that fair play was being exercised in the industry. Sometimes I think there is a little bit of exploitation going on by the brokers, the people handling feed grains, but just an agency with a watching brief?

Mr. LUDWIG: I think we stated in our brief that we are not here to take advantage of our fellow farmers any place in Canada, and we want fair play. We are willing to do our share, but you must appreciate the position we have been in. I know; I have been in this game for quite some time since I got out of industry, and I have to compete with the U.S. subsidized corn. We do not want to take advantage of the position that we do not produce enough corn for Canada. This would be unfair; we do not want to say we have got it, you have to buy it.

Mr. WATSON (*Assiniboia*): You sound like a western farmer now. Go ahead.

Mr. SWANTON: I might say that in so far as the eastern farmers are concerned, we are just trying to complement and provide them with the necessity, added to the western feed grain, the very thing that makes a complete and thorough feed, and supply their needs on an equal basis. I think we cannot quarrel with that too much.

The CHAIRMAN: I think that unless there are further questions we might adjourn at this time I know that the members of the committee would like me to thank you gentlemen for your courtesy in appearing this morning, and your very valuable information.

Gentlemen, the steering committee met on Tuesday, and subject to the approval of this committee, there will be one more meeting dealing with feed grains. That will be a week from today, and then the steering committee hopes to ask this committee to start the preparation of a report, which might be a job.

The commercial corn committee is coming in a week from today; Mr. Nichols has contacted the committee. He is from Blenheim, Ontario.

Thank you, gentlemen; the meeting is adjourned.

HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964

STANDING COMMITTEE

ON

Agriculture and Colonization

Chairman: RUSSELL C. HONEY, *Esq.*

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 15

Respecting

PRICES OF FEED GRAINS

THURSDAY, DECEMBER 10, 1964

WITNESSES:

From the Department of Agriculture: Mr. C. R. Phillips, Program Co-Ordinator. *From the Ontario Seed Corn Growers' Marketing Board:* Mr. G. C. Nichols, Chairman and Mr. N. D. MacKenzie, Secretary.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1964

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ON
AGRICULTURE AND COLONIZATION

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Vice Chairman: Patrick T. Asselin, Esq.

and Messrs.

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Beer,	Horner (<i>Acadia</i>),	Nasserden,
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Dionne,	Laverdière,	Vincent,
Doucett,	Lessard (<i>Lac-Saint-</i>	Watson (<i>Assiniboia</i>),
Drouin,	<i>Jean</i>),	Watson (<i>Châteauguay-</i>
Émard,	Loney,	<i>Huntingdon-</i>
Éthier,	Madill,	<i>Laprairie</i>),
Forbes,	Mather,	Webb,
Forest,	Matte,	Whelan—60.
Forgie,	McBain,	

(Quorum 20)

D. E. Levesque,
Clerk of the Committee.

CORRECTIONS

PROCEEDINGS No. 13—Tuesday, November 24, 1964

In the evidence of Mr. Phillips, Program Co-Ordinator, Department of Agriculture: On page 440, *second paragraph* from the bottom of the page, at the beginning of *line 6*, "full of" should read "wanting" same paragraph at the middle of *line 11*, "national harbours board" read "Board of Grain Commissioners"

MINUTES OF PROCEEDINGS

THURSDAY, December 10, 1964.

(18)

The Standing Committee on Agriculture and Colonization met this day at 9:50 o'clock a.m. The Vice Chairman, Mr. Patrick T. Asselin (*Richmond-Wolfe*), presided.

Members present:—Mrs. Konantz, Messrs. Alkenbrack, Asselin (*Richmond-Wolfe*), Béchard, Beer, Brown, Cardiff, Crossman, Danforth, Dionne, Doucett, Forbes, Gendron, Horner (*Acadia*), Howe (*Wellington-Huron*), Jorgenson, Kennedy, Loney, Madill, Matte, McBain, Mullally, O'Keefe, Peters, Roxburgh, Saltsman, Tardif, Thomas, Watson (*Assiniboia*), Webb and Whelan—(31).

Witnesses: —*From the Department of Agriculture:* Mr. C. R. Phillips, Program Co-Ordinator. *From the Ontario Seed Corn Growers' Marketing Board:* Mr. G. C. Nichols, Chairman and Mr. N. D. MacKenzie, Secretary.

In attendance: —Mr. Benoit Lavigne, Director of Eastern Feed Grains, Department of Forestry.

The Vice Chairman introduced the witnesses. Mr. Phillips made a brief statement in answer to a question asked by Mr. Muir (*Lisgar*) at a previous meeting.

Mr. Nichols read his brief and the Committee proceeded to the questioning of the witnesses.

At the request of Mr. Danforth it was agreed that the figures quoted by Mr. Phillips be included in this day's evidence.

At 12:25 o'clock p.m. the questioning of the witnesses being concluded, the Committee adjourned to Tuesday, December 15, 1964.

D. E. Levesque,
Clerk of the Committee.

EVIDENCE

THURSDAY, December 10, 1964.

The VICE CHAIRMAN: Gentlemen, I see a quorum. Before we proceed with the Ontario Seed Corn Growers' brief, Mr. Phillips who is the program co-ordinator for the Department of Agriculture would like to make a few comments concerning prices. I believe you all have a copy of the statement.

Mr. C. R. PHILLIPS (*Program Co-ordinator, Department of Agriculture*): Mr. Chairman, you will recall that a few weeks ago the department was asked for some prices in respect of eastern Canada, and the department provided a list of prices at three locations in eastern Canada. I took a look at prices and I want to point out to the committee that while they are prices in three different parts of Canada, I would not want the committee to be misled in thinking these are official prices. The department does not have official prices in different parts of Canada. The only official source for prices is the dominion bureau of statistics.

I think a member of the committee asked for this price list to be extended to include western Canada. What we have attempted to do here is give you the only official source, or give you a record of prices from the only official source, which is the dominion bureau of statistics. I believe each member has a copy. This price list gives an average price for the three rations in the different areas; it is a simple average of the prices reported to the bureau. In most cases there are about 25 retail prices used in the simple average; there is no weighting at all in it to indicate price. It well might be that 80 per cent of this volume of feed was at the low end of the scale; but this is a simple average and gives some indication of prices throughout Canada.

Mr. DANFORTH: Mr. Phillips, when you are speaking of averages do I understand that this is an average between a number of companies and not an average for any period.

Mr. PHILLIPS: It is both. It is an average of companies reporting prices for October 1.

Mr. DANFORTH: But is this an average over a year?

Mr. PHILLIPS: No. It is prices as at October 1, 1964.

Mr. DANFORTH: So it is an average between companies at a specific date?

Mr. PHILLIPS: That is right.

Mr. DANFORTH: Thank you.

The VICE CHAIRMAN: Mr. Phillips, have you finished your remarks or would you like to carry on with a further explanation?

Mr. PHILLIPS: I believe that completes my remarks.

Mr. THOMAS: I would like to ask Mr. Phillips whether any investigation has been made with regard to the reason for the disparity in prices; for instance, I notice prices in Quebec are lower than prices in other parts of Canada. Is there any explanation?

Mr. PHILLIPS: Let us look at the dairy ration, the Quebec average price appears to be lower than the others. However, I would say the same to the committee in respect of this list as I said in respect of the list which was

provided before. You cannot place too much reliability on this if you are looking at individual prices. Let us say there were 20 persons in Quebec who provided the bureau with information on retail prices, and there were 20 persons in Ontario providing the bureau with prices, this is averaged and that is the average. However, perhaps the 20 retailers who were on the lower end of the price scale were those who reported in Quebec, and perhaps the 20 on the high end were those who reported in some other area. This is the difficulty. Really, it is only a general indicator of prices.

My interpretation of these prices is that the average price in the prairie provinces is slightly less than elsewhere. This is what I would expect.

Mr. O'KEEFE: Is the price in respect of Newfoundland included with the maritime provinces?

Mr. PHILLIPS: I doubt whether Newfoundland prices are in there.

Mr. THOMAS: Does Mr. Phillips consider what to my mind is quite remarkable; that is, that prices all across the country are so even?

Mr. PHILLIPS: This is the difficulty. The prices that were given to you a few weeks ago were prices we had on file. The only reason we had them was that we were getting them monthly to see whether there was any change. This means something. Last year questions were being asked in respect of whether prices had gone up and we were getting these in an effort to see whether there were any advances in prices, and there were surprisingly few. However, it is most difficult to determine what the average price is in a province; there is a variation in our own province of as much as 70 cents per hundred weight. There is greater disparity between the high and low in a province than between the averages in the provinces. Therefore, it is most difficult.

Mr. MCBAIN: Are the same companies and distributors reporting each month on these prices, or do you compile the information from different areas in the various provinces?

Mr. PHILLIPS: These prices which you have in front of you are from the bureau, and of course as you know you cannot determine from bureau records what are the prices of individuals. There are about 20 to 25 reporting in each area for each feed. Whether or not they are the same ones each month, I do not know.

Mr. FORBES: Would it not be a difficult thing to arrive at a comparison of prices between various feed companies? In the province of Manitoba for instance feed companies may have different ingredients and a higher percentage? How can you make comparisons?

Mr. PHILLIPS: This is the difficulty. You will notice even in the bureau figures there is a range of 17 to 20 per cent of protein in the laying mash.

Mrs. KONANTZ: My only criticism in respect of a sheet like this is that it looks very official and it seems to me we should have on it some explanation like the explanation Mr. Phillips has given us saying that this covers only a very small group. If I were to show this to somebody, he would think it was across the board. When we receive something like this, I would suggest there should be an explanation that it has been taken only from a few figures.

The VICE CHAIRMAN: I think that is the reason Mr. Phillips is here.

Mrs. KONANTZ: But if we show it to someone it looks very official.

Mr. PHILLIPS: That is the reason I came. I did not want you to be using the other list either and say it is official. I wanted to caution you on that. There is very limited value in either one.

Mrs. KONANTZ: This is the kind of information which I think we should have on the sheet itself.

The VICE CHAIRMAN: You are suggesting there should be some explanation on this?

Mrs. KONANTZ: Yes.

The VICE CHAIRMAN: Mr. Phillips' explanation also is in answer to a question asked by Mr. Muir (Lisgar) at the previous meeting.

Mr. PHILLIPS: He was the member who I believe asked the question.

Mr. ROXBURGH: In other words, Mr. Chairman, figures are not worth a darn. You can use them to suit your own situation. In this committee we have asked for figures, and they do not mean anything. All they do is give a general idea that in the prairie provinces feed costs are less than in other provinces; that is all it amounts to. Then, also in there, there will be some which are equal to the rest. Therefore, these figures do not mean very much to us.

Mr. PHILLIPS: Mr. Chairman, in your records now you have reference to one report. I gave you a similar list like this for October 1, 1963, and it shows the high and the low in each of the areas, as well as the average. You can see from it the variation in price within any area, which may be as much as \$1 a hundredweight. This can be accounted for by the reasons advanced by one member of the committee here, namely, the differences in ingredients, and the fact that one price might be for the product delivered at the farm with bags—oh, I am sorry, they are all delivered, with the bags included. I was going to say that they could be in bulk.

Mr. CARDIFF: Could we not get the price of the product itself, not the mixture? Suppose we want the price of corn, wheat, or any other product. It is the product not the mixture that we want, and if there are things added to it, we do not know what is in there. Could you not give us a definite price of corn, or wheat, or feed wheat, or something like that without the mixture, and then state the price of the ingredients which are in there, and state the price before it was mixed?

Mr. PHILLIPS: The report tabled last year and forming part of the record of this committee includes grain prices from the same sources. I have a copy of it in front of me, and it covers cracked corn, whole oats, ground barley, and unground wheat. There is almost as much variation within each area for these grains as there is in mixed feed.

Mr. DANFORTH: Would it be possible to incorporate it in the record? I am referring to this year's figures which Mr. Phillips has given to us.

Mr. PHILLIPS: You mean the average prices?

Mr. DANFORTH: Yes.

Mr. PHILLIPS: Yes, it could be done.

Mr. DANFORTH: I think this would give us a better comparison.

The VICE CHAIRMAN: Do we have the permission of the committee to incorporate those figures in the record? I have been asked by Mr. Danforth to include in our minutes the figures suggested a minute ago. Do I have the unanimous consent of the committee?

Agreed.

You are referring to these figures here?

Mr. DANFORTH: No.

The VICE CHAIRMAN: I asked the committee if it would be all right to include these figures in the minutes.

Agreed.

The figures follow:

Average Retail Prices, per 100 pounds
delivered (bags included) as at October 1, 1964

Source: Dominion Bureau of Statistics

	16% Dairy Ration	Hog Grower Mash	Laying Mash (17-20%)	Cracked Corn	Whole Oats	Ground Barley	Whole Wheat
British Columbia	\$3.74	\$4.07	\$4.53	\$4.32	\$3.19	\$3.27	\$3.95
Prairie Provinces	3.63	3.68	4.24	4.56	2.56	2.54	3.13
Ontario	3.87	3.94	4.67	3.79	3.02	3.28	3.79
Quebec	3.61	3.90	4.60	3.89	3.09	3.19	3.78
Maritime Provinces	3.80	4.10	4.80	4.42	3.31	3.44	4.07

Mr. O'KEEFE: May I ask if Newfoundland is included in the maritime provinces in these figures?

Mr. PHILLIPS: I am not certain of this, but my conclusion would be no. I believe that the bureau would have said Atlantic provinces if they included Newfoundland.

Mr. O'KEEFE: May I ask why?

Mr. PHILLIPS: My only explanation is that this report was made before confederation with Newfoundland.

Mr. O'KEEFE: That was 15 years ago.

Mr. PHILLIPS: I believe it might be the case, that it was not included. Actually, I believe at that time there were only three or four retailers originally, at confederation.

The VICE CHAIRMAN: Newfoundland is such an important province that it is set off by itself.

Mr. O'KEEFE: I thought it should be recognized, because it is a province.

The VICE CHAIRMAN: I agree.

Mr. O'KEEFE: We do have 500,000 people.

The VICE CHAIRMAN: Newfoundland is so important that it is set off by itself. Are there any other questions of Mr. Phillips? If not, I thank him, and I imagine that he will be remaining with us during this meeting in case there are any other questions asked.

Before we proceed with our next witnesses, I would like to say that Mr. Honey has asked me to make his apologies to the committee, because he is unfortunately detained and cannot attend the meeting today. We have with us today the Ontario Federation of Agriculture, corn tariff committee, and the Ontario seed corn growers' marketing board.

On my immediate right is Mr. Nichols, the chairman, and next to him Mr. MacKenzie, the secretary. You all have copies of the brief they are to present, and I would now call upon Mr. Nichols to read his brief to you before we proceed with the questioning.

Mr. G. C. NICHOLS (*Chairman of the Ontario Seed Corn Growers' Marketing Board*): Mr. Asselin, ladies and gentlemen, members of the standing committee, I would say that as far as our committee is concerned and as far as our secretary Mr. MacKenzie is concerned we feel we are very fortunate. He has served as senior officer for the area supervisor for plant products in the Toronto area, in which is included all that part of Ontario; has been active in agriculture and is very familiar with the producers part, with processing, inspection, and also with the trade.

Mr. Littlejohn is vice president of the Ontario Federation of Agriculture and is acting in the absence of the president, who is in Australia. However he could not be here today because they were holding a meeting in Toronto to strike their committee for the year.

As appointed representatives of the Ontario seed corn growers and the Ontario Federation of Agriculture to represent the commercial corn growers, we welcome this opportunity to appear before your committee and regret that due to the shortness of time we are unable to have our presentation made in both French and English.

I might say that I am very humble since I can speak or use only one of our mother tongues. It was only yesterday that we were able to get this brief prepared in English. We only received acknowledgment of our appointment a week ago.

Our committee wishes to thank you for affording us an opportunity to appear before you some weeks ago to present the brief which we had presented in June to the Canadian tariffs and trade committee and to the Hon. Ministers Mitchell Sharp, Harry Hays, Walter Gordon and Maurice Sauvé.

Having previously received assurance from the Hon. Mitchell Sharp that the government of Canada had no intention of reducing or removing the tariff on imported corn, we did not wish to take any of your valuable time to present our brief on corn tariffs. This was particularly true as copies of our brief were distributed to the members of your committee for your information.

We wish to very heartily commend the government of Canada for their stand that there shall be no reduction or removal of tariffs on imported corn.

We are appearing before you in the interest of both the producer and user of corn and the welfare of Canadian agriculture and the Canadian economy as a whole.

The province of Ontario is the main grain corn producing area in Canada and up until very recently this production was centered almost entirely in the southwestern portion of the province. This picture is changing very rapidly and grain corn production is spreading throughout the central and eastern portion of the province.

As an example of this rapid change, statistics showed that in 1963 some 36,000,000 bushels of Ontario grain corn were produced and the same source of information estimates that well over 52,000,000 bushels will be available from the 1964 crop.

Economists and plant breeders believe that due to new varieties of early maturing corn being produced by seed firms and new production methods coming into practice that this increase in production will continue to expand until the producing areas of Canada will be able to provide sufficient grain corn of the proper quality to supply the needs of both the feed trade and industry even though the requirements of both these users continue to expand as they have done in recent years. Through experiments, at various agricultural institutions throughout Canada, corn has been proved to be the best high-energy source of feed for all classes of live stock and poultry and this is particularly true in the case of beef cattle and poultry being fed for the production of meat.

It has come to our attention that claims have been made that Canadian corn is not as good as American corn from a feed standpoint for live stock or as good a product for the production of alcohol from an industrial standpoint.

These claims have no basis in fact. In fact, the opposite is the case. In some cases, as shown by experiments in feeding turkeys for the market carried on at the Ontario Agricultural College at Guelph, some lots of long-time storage corn from the United States of America were deficient in both protein

and vitamins as compared to Ontario produced corn. Other samples of United States produced corn did not show these deficiencies to the same extent and had evidently been stored under better conditions than was the case in the lots of United States corn which showed loss of food value as compared to Canadian corn.

Experiments conducted at both the Ontario Agricultural College, Guelph, and at the western Ontario experimental farm, Ridgeway, show that there is no practical difference between the feeding value of Canadian and American corn in the feeding of turkeys and broilers. It is only logical to assume that the same results would be obtained when these two sources of corn were fed to other classes of live stock as well.

One of the largest feed manufacturing companies in Canada, namely Ralston Purina which uses some 5,000,000 bushels of corn annually, definitely prefers Canadian corn to that produced in the United States and states that Canadian corn is superior from a feed standpoint and also is better from a manufacturing standpoint.

In the industrial use of corn for distilling into alcohol, the firm of distillers Seagram's Ltd. has been switching to Canadian corn from that produced in the United States of America for the very logical reason that in addition to getting a slightly better yield of alcohol from Canadian corn they found that the Canadian corn gave a better quality product than the American corn they had been using.

It is quite true that they required strict and careful handling of the corn they purchased, but their results did prove that Canadian corn properly handled was superior to that produced in the United States of America.

Freight rates

The people we represent have been working for years to secure reductions in freight rates on corn and other feed grains between Chatham in western Ontario and Toronto and Montreal. We are justifiably proud of our success in this regard as the rate which was originally 64 cents a hundred between Chatham and Montreal is now just half that, namely 32 cents per cwt., between the same two points on the basis of a minimum 2,000-bushel car.

We do feel, however, that Quebec and the maritime provinces which are consuming areas for these products should be given the same consideration which we have received and that rates from Montreal to all intervening points as far as Halifax should be given reductions in line with those which we have received. As for example, in 1961 the rate on shelled corn from Chatham to Toronto was 35¢ and at the present time the regular rate from Chatham to Toronto is 23½¢ but during the rush of harvest a temporary rate of 20¢ was granted. This temporary rate expired on November 29 and has not been renewed.

Freight assistance

Our committee also endorses the request of the eastern conference of the Canadian federation of agriculture which was that the freight and feed grain assistance plan, which the Canadian government inaugurated for the benefit of both the western Canadian grain producer and the eastern Canadian live stock and poultry producer, should be extended to cover corn and other feed grain produced in Ontario and purchased by the live stock and poultry producers in Quebec and the Maritime provinces.

Terminal storage facilities

Recognizing that accessibility is an extremely important factor in the marketing of any product and also recognizing the rapid development of corn as a crop in Ontario, we feel that space should be made available in national

harbours board elevators particularly in Montreal for the storage of Ontario corn and other feed grains. We definitely feel that when the national harbours board set a date when space in terminal elevators will be available, they should live up to that commitment regardless of what pressure is brought to bear by other interests. Up until the present time such storage has not been made available although we have been informed that the national harbours board did inform members of the Montreal grain exchange that space would be made available at certain dates. These dates coincided with the corn harvest in western Ontario. We also understand that many cars of corn are in Montreal under demurrage at the present time as shippers loaded cars and shipped them to Montreal expecting that they would be unloaded shortly after arrival and the contents place in national harbours board elevators.

We feel that under these circumstances the national harbours board which set the date at which space would be available has a definite responsibility regarding the demurrage costs which have been piling up on these cars which were ordered shipped from western Ontario on the basis that space would be available on dates which the board had set. When the cars arrived in Montreal the space was not available and the cars have been under demurrage since their arrival.

I might add that in a number of these cars the quality has been deteriorating.

Government agency to handle eastern grain

We agree with the presentations which have been made to your committee opposing the establishment of such a government agency, board or commission to handle, direct, and control the movement of feed grain in eastern Canada.

We oppose government intervention in taking away the rights and privileges of private individuals and business firms provided, of course, that they are performing in an ethical and efficient service in their business practices.

We welcome government inspection and assistance but not control. We believe that the encouragement of individuals and private business firms is essential in our economical and democratic way of life.

We have endeavoured to present our views in as full and concise a way as possible and still give your committee a true picture as we see it. It may be that we have erred in the matter of shortness and would be glad to answer any questions which may be put to us and trust that we have the necessary information available to give you to answer your enquires.

We wish again, Mr. Honey and committee members, to thank you for the opportunity of appearing before you and presenting this brief.

Now Mr. Chairman, I have several letters here. One of those letters is from the Ralston Purina Company Limited. May I be permitted to read it?

The VICE CHAIRMAN: Do I have the consent of the committee to let Mr. Nichols read this letter? Please go on, Mr. Nichols.

Mr. NICHOLS: It reads as follows:

Mr. Clarence Nichols,
Blenheim, Ontario.

Dear Sir:

This confirms our telephone conversation concerning our experience and use of Ontario corn as compared to U.S. corn.

For many years we have promoted the development and growth of proper varieties of Canadian grown corn. This has been beneficial to the Canadian corn farmers and to the livestock and poultrymen who use our commercially mixed feeds.

To be able to obtain local corn (Ontario) that has not been stored for long periods, obviously is superior in commercially mixed rations for poultry and livestock. Also corn that has not been stored and shipped by rail, boat and transferred several times usually is of superior quality.

Although we have not seen comparisons from our research division, I believe that our feed conversions of turkey feeds, broiler feeds and others compared very favourably with conversions for similar feeds in the U.S.A.

We feel so strongly about the place that Canadian grown corn will play in our industry that we are considering a large building expansion for our present corn handling facilities.

If there is any other information you feel we can supply, please contact us.

Sincerely,

Geo. E. Peirce,

Manager of Ralston Purina Company.

The VICE CHAIRMAN: Thank you very much.

Mr. DANFORTH: Mr. Chairman, I would like to begin by complimenting these gentlemen not only on the contents of their brief, but on their brevity and on the way they came directly to the point. Naturally, since they are from my riding I would like to compliment them on the emphasis that they have put on the quality of the Ontario corn.

However, I have three or four very short questions, and then I will pass on, knowing that other members wish to ask questions on this subject.

Mr. NICHOLS, in this brief you have dealt very shortly with cars held up at Montreal and demurrage being paid on them. If I recall correctly, I have read within the last two or three days that there were over 600 carloads of corn in Montreal waiting to be unloaded. In your opinion, could it be a fact that there are 600 cars waiting to be unloaded?

Mr. NICHOLS: According to correspondence we have, this is correct, although I believe it has been reduced a little bit.

Mr. DANFORTH: I note in your brief you said these cars were on a basis of 2,000 bushels per car. This in effect would mean there would be over 120,000 bushels of Ontario corn waiting to be unloaded. Am I correct in this assumption?

Mr. NICHOLS: One million three hundred thousand bushels, Mr. Danforth.

Mr. DANFORTH: As a corn producer and one very familiar with the industry, could you say that this would be holding up tremendously the movement of our corn into normal feed terminals in the eastern part of Canada? I am speaking of the fact that there is this block at Montreal.

Mr. NICHOLS: I think your question is very timely as far as I am concerned. It alarms me very much. It is not only holding up the movement of corn, but it is also jeopardizing, to a certain extent, the future of Ontario corn because, as I mentioned, this corn has deteriorated in box cars. Corn has to be aerated properly. Variations in temperature are a factor in the deterioration of corn. It not only would hold it up so that it is not available to people in the east, but it is also apt to discourage people from trying to buy Ontario corn from the 1965 crop. This is very serious.

Mr. DANFORTH: Regarding this elevator in Montreal, I am certain that you are aware of the government policy by paying storage on the western feed grain stored in these elevators from November until April. Is it your opinion that if such a payment were extended to the storage of Ontario corn, it would work to the direct benefit of Ontario corn producers?

Mr. NICHOLS: That question might be a tiny bit hard to handle at the present time. As we intimated in our brief, we are not producing enough for Canadian requirements entirely. We are not having difficulty in selling our product, but, on the other hand, it would give the industry a great chance and a great opportunity to expand. It would give the eastern feeder—I am talking about Quebec and maritime farmers—a chance to use Ontario corn. I think that this part of the situation.

In regard to this feed assistance plan, we commend the government for helping agriculture, and we are very happy with this, but we feel that Ontario grains—I am speaking of feed—whether or not it is corn, should be given the same consideration. We are happy with the program and we think it will work to the mutual benefit of producers, consumers and agriculture as a whole.

Mr. DANFORTH: I do not want to put words in your mouth, Mr. Nichols.

Mr. NICHOLS: You have never been able to.

Mr. DANFORTH: It would seem to me the fact that this storage is paid on western feed grains would encourage grain brokers to put western feed grains in these storage elevators since they have to pay storage on Ontario corn. I wondered if you considered this was a factor?

Mr. NICHOLS: I think we would be in a difficult spot if we said how it should be operated. All we ask for is equal treatment, and we think it will work to the mutual benefit of agriculture in eastern Canada.

Mr. DANFORTH: Thank you. I just have one more question, Mr. Nichols, and then I will pass. It is this.

I note that in your brief you have given the figure of 36 million bushels produced in, I think, 1962 or 1963. Then you have given an estimated 52 million bushels produced this year. You also speak, Mr. Nichols, of grain used for distillation purposes. Can you give the committee a rough breakdown of how much of our Ontario grain is used for distillation purposes and how much would normally be used for feed grain? Have you these figures available?

Mr. NICHOLS: Our figures are compiled from the dominion bureau of statistics' figures, and there is much that is not given by them. Not being too familiar with the distilling business and their executive, I have a hard time in getting those figures.

We have no source for getting those figures, Mr. MacKenzie, have we?

Mr. MACKENZIE: No.

Mr. NICHOLS: We could tell you how much was imported, but we have no way of knowing what the distillers use, have we, Mr. Phillips?

Mr. PHILLIPS: No.

Mr. NICHOLS: We do know that there has been a great trend toward using Ontario corn.

We have figures and statistics to show that the alcoholic recovery of Canadian natural dried corn is four to five per cent better than United States k.d. corn, but because of the hurry in trying to get this on paper we did not put those figures in our brief. However, we obtained that information from a reliable source earlier this summer.

The VICE CHAIRMAN: Mr. McBain.

Mr. MCBAIN: Mr. Nichols, I notice that you are representing two organizations, the Federation of Agriculture and the Ontario corn growers marketing board. I gather you are specifically interested in the growing of Ontario seed corn.

In your brief you mentioned that production of commercial corn increased in 1964 over 1963. Has your production of seed corn increased correspondingly or could you give those figures—either the acreage or bushels, whichever you want to use—for 1963 and 1964.

Mr. NICHOLS: Mr. McBain, may I just preface your inquiry?

It was pointed out that we are here representing the Ontario seed growers marketing board. We are members; I am chairman and Mr. MacKenzie is secretary. However, we have been working in the interest of the corn industry for some 25 years, and to substantiate this I will tell you that in 1946 we prepared a brief and appeared before what we thought was the right group here in Ottawa in regard to tariffs.

The reason we have been active in various phases of the corn industry and not in seed alone is that there was no other organized group for corn, and we felt that anything that was good for the corn industry as a whole indirectly benefited the seed corn industry. That is why we were active in this sphere.

I might say that we discussed this at our annual meeting with our growers, and they endorsed our practice in this respect because almost all seed corn growers produce both types. In my case, I grow 15,000 bushels of seed and 15,000 bushels of commercial corn. Therefore, I am not a seed corn grower alone. That situation would be true of nearly all our seed corn growers in this organization.

In answer to your question with regard to the bushels that have been grown, I may say that it varies from year to year. In 1963 we produced 320,000 bushels of corn; in 1962, 216,330 bushels; in 1960, 245,000 bushels odd. These figures vary owing to the amount of carry over and a number of other things.

One year back our board helped and we exported 300,000 bushels of seed corn to Europe. Incidentally, Mr. MacKenzie was one of the fellows instrumental in arranging that sale and looking after it. As you will see, the number of bushels really does vary.

Mr. MACKENZIE: I might add too, Jim, that our acreage of seed corn increased from over 5,000 acres to over 7,000 acres.

Mr. MCBAIN: For the information of those members of the committee who are not familiar with the production of seed corn could you explain why for, say, 100 acres of seed corn, it is necessary to direct almost 50 per cent to commercial use? Could you briefly explain the production of it so the members will understand?

Mr. NICHOLS: Mr. McBain, perhaps my statement was not understood. Normally a seed corn crop will have 25 per cent male, and the rest is the seed portion which is called female because of its particular duty in production. So, to begin with, all seed corn growers have at least a quarter of their crop going into the commercial trade. When I said that I have 15,000 bushels of seed and 15,000 bushels of commercial corn, I should have said that that was owing to my acreage. I am growing 125 acres or 150 acres of commercial corn besides my seed. I have two distinct operations. All seed corn growers, as I have mentioned, have some commercial corn.

Mr. MCBAIN: I would like to ask a question in connection with the Montreal terminal elevators and the large number of cars that are there at the present time on which demurrage has been paid. Is all this corn that will eventually go into the terminal elevators used to manufacture feed or does some go back to distillers and starch manufacturers?

Mr. NICHOLS: It would be my observation that none of the corn at the harbour board would be for the distillers; they have theirs shipped direct. This would be bought by brokers for resale, storage and distribution during the winter months.

Mr. MACKENZIE: That is correct.

Mr. MCBAIN: I would like to obtain a little further information on storage.

You have pointed out the advantage of Ontario corn over United States corn at many times. Is this because of the possibility that Ontario corn has not been held for any period of time in storage, whereas United States corn might be five or six years old?

Mr. NICHOLS: The United States government agricultural policy in connection with their plan to store corn and pay for it, and various other aspects, has not been with them too long. This long term storage corn has not been bothering us for too long, and consequently there have not been too many experiments to determine how detrimental it is.

As I intimated, there was one case in which they knew it was detrimental. There is one other problem that is created; that is, when they buy k.d. corn or long stored corn they do not know whether it has been stored for one year, two years or seven years, and that all creates a problem there.

We talked about the tariffs. I might just point out here that there is another thing that seems unfair to us. They do subsidize some of their corn. There is free corn. Here we are assisting under that. We have an expanding industry here that will do a lot for agriculture, particularly in the newer areas. The production of corn is spreading, as you know, into Quebec. That is one reason why we are very interested that the industry should be watched carefully and given what assistance is necessary, and to see that no handicaps are thrown in front of us.

Mr. MCBAIN: I have one more question, Mr. Chairman.

Do our Canadian seed corn producers produce all our requirements for seed corn in Canada?

Mr. NICHOLS: In 1961, 1962 and 1963 we imported an average of, I believe, around 22 million bushels at a cost of \$29 million and some few odd thousand.

Mr. MCBAIN: That is commercial corn?

Mr. NICHOLS: Are you talking about commercial?

Mr. MCBAIN: No, I am speaking of seed corn. Do we produce all our own or do we import some?

Mr. NICHOLS: No, we do not produce all our own. It might be of interest to other people for me to continue, since I have gone half way. We have imported about 22 or 23 million bushels and this has cost Canada, exchange and all, about \$30,500,000.

We import some varieties of seed corn, but not a lot. The United States parent companies normally grow their requirements in Ontario. If they have a new variety and there is insufficient production here in Canada they will import it, but normally they are producing here. I believe there are four United States companies.

Mr. MACKENZIE: Yes.

Mr. MCBAIN: How do our imports and exports balance out in Canada and the United States, and vice versa?

Mr. NICHOLS: In 1960 we imported 6,933 bushels of United States seed. In 1961, we imported 9,003 bushels. In 1962 we imported 13,546 bushels; and in 1963 we imported 49,452 bushels.

I might say that the large increase has been brought about by a change in growing methods. Some of the companies have recommended a single cross. I will not go into that; it is quite a complicated program. Production of that type in Canada had not been engaged in to any great extent, with the result that they had to import this corn for that purpose. They have gone out and contracted large acreage of this, and have intimated they increased their acreage contracts by 2,000 acres.

In 1960 we exported 45,458 bushels; in 1961 we exported 40,493 bushels; in 1962 the figure was 21,269 bushels and, in 1963, 26,455 bushels.

I might say, Mr. Chairman, that these figures are also in that brief we presented before the tariff committee. It was very fortunate I had them with me.

Mr. MCBAIN: Thank you, Mr. Chairman.

The VICE CHAIRMAN: I believe you are next, Mr. Whelan.

Mr. WHELAN: Mr. Chairman, first of all I would like to comment upon the storage and the value of corn. Many of the questions I had in mind putting to the witness have been put by two other members of the committee who already have questioned the witnesses.

Mr. NICHOLS, is it mainly age that deteriorates American corn, or does their corn have the same qualities as Canadian corn in the first place?

Mr. NICHOLS: Mr. Whelan, I would say they are equal, from everything we have been told, and that there is no difference in the quality of Canadian corn and American corn. Both are high quality products.

Mr. WHELAN: But I think you intimated in your brief that some of the distilling companies preferred Canadian corn.

Mr. NICHOLS: Yes, I did.

Mr. WHELAN: And, this was because of its higher quality.

Mr. NICHOLS: When they are buying k.d. corn they never know. They do not know whether this corn has been stored one year or seven years, and they find the longer corn has been stored the more the quality deteriorates. Corn has to be aerated or turned when held for extensive periods of time; then it is shipped in boats, as a result of which there is a certain percentage of it which is cracked, and there is more dust. But, where Ontario corn is shipped to Quebec and the maritimes it is handled only about twice before it is received by the consumer.

In respect of the alcoholic content, Seagram's carried on an experiment with naturally dried corn or slow dried corn. When I refer to naturally dried corn I mean chiefly corn that has been put in the farmers' corn cribs, left there all winter and into the early summer; nature dries it. That is what they call naturally dried corn. They can obtain a very similar product by slow drying the corn. But, as I said, this experiment which is being carried on by Seagram's involves naturally dried corn.

Mr. WHELAN: Could you explain the slow drying process?

Mr. NICHOLS: Of all the grains, corn is a particularly delicate product. This corn is dried at a temperature of 140 degrees. The drying process has to be kept at this temperature, otherwise it will dry too rapidly, burn and so on. Commercial plants use this process.

However, some farmers will dry their corn at a little lower temperature; this process is more costly but they maintain it gives a better product.

I might say that in the case of seed corn it cannot be dried in that manner; it has to be dried on the cob slowly at low temperatures, otherwise it will kill the germ.

So, what is true for seed corn is true of commercial corn. The corn germ is quite important in the manufacturing of alcohol. I do not know whether or not it gives a bigger kick.

Mr. WHELAN: I would like now to direct a question in respect of storage on the farm, and I am not thinking particularly of only corn on the cob but shelled corn as well. Would you comment on the number of bushels you would think the average corn grower would have in storage on his own farm?

Mr. NICHOLS: Well, that is rather a difficult question. The number of farms and the size vary. I might say that in Kent county there are 550,000 acres and one acre out of every $3\frac{1}{2}$ acres produces corn. Also, there are a little over 5,000 farmers. You will have to get your pencil out to come to the figure you wish because I cannot calculate that rapidly. But, on the other hand, these farms average 150 acres and in that 150 acres they grow about 45 acres of corn on the average. The yield is 100 bushels to the acre, although in Kent county it might be higher. But, if you work this out you will arrive at a figure of 4,500 bushels of corn. Now, I am talking about shelled bushels. That would be equal to 9,000 bushels of ears. There are many farmers who store it on their farms.

Now, as you know, there has been a change made and farmers are now using a picker-sheller. They have to provide storage for this shelled corn; they have to aerate it and so on. I would estimate that possibly that type of storage would not be over 15 or 20 per cent. Am I correct in that assumption?

Mr. N. D. MACKENZIE (*Secretary, Ontario Seed and Corn Growers' Marketing Board*): It would not be that high.

Mr. NICHOLS: Possibly the figure would be about 10 per cent of stored shelled corn and the remainder would be ear corn.

I might say that we checked with four or five elevators to see how much corn had been delivered up to date and the amount they expected this year. This would be delivery from the field. It varied from 30 per cent to 50 per cent and, again, this figure varies with the area. So, I would say that 50 or 60 per cent would be held in the farmers' storage for later winter and next summer's delivery.

Mr. WHELAN: You mentioned aerating this corn. How do they do this in respect of the shelled corn? You also said that it had to be turned and that air was forced through it. Would you explain the process?

Mr. NICHOLS: Well, they have a rather simple method for this. The system used depends upon the size of the storage. Many of these bins hold 5,000 or 6,000 bushels. A cement elevator might hold up to 40,000 or 50,000. But, whether they are cement elevators or the small elevators they use the same process; they have a pipe at the bottom of the storage bins or elevators which goes right across; there is a little motor which drives a fan and this blows air out. One might wonder where the air comes from. The principle of it is that it draws the fresh air down through the corn from the top and sucks or blows it out at the bottom.

They also have another system which you can buy at a cost of about \$75. This is a small aerator with a one quarter horse power motor; it has a spiral on it and a funnel with a four inch steel or tin pipe which goes down into the bin perhaps six or seven feet. The funnel is at the top, and the same principle is used. But, this system is used for smaller bin storage.

Mr. WHELAN: Am I correct in my understanding that it is very important to properly care for corn which is taken from a picker-sheller machine in order to maintain its high quality?

Mr. NICHOLS: Yes, that is very important. Also, they turn it in the big elevators. From my observation I would say that these aerators which, as I

said, suck the air off the bottom and draw in the fresh air from the top, provide the right answer to many of our problems. This machinery can be taken from one elevator to another.

If I might be permitted to interject something else at this point, the national harbours board, in accepting this corn storage, will have to be aware that corn is a little more difficult to store than most other grains.

Mr. WHELAN: I had a question in respect of the national harbours board. I would say, in all fairness to the board, that I did talk to them recently, when representations were made to me by people who were concerned about the amount of cars in the terminal area, and I believe at that time they told me there were 330 cars on track designated for national harbours board elevators. They readily acknowledged that some of these cars were out of condition. But, I think they must realize that these board elevators were never set up to handle corn. As you know, their drying facilities are very limited. I do not think many of the growers back home are aware of the facilities that are provided by the national harbours board. Even the drying facilities they have are limited. Because of the reconditioning of some of these cars they may have to process this corn further to get it back into condition.

Mr. NICHOLS: You said that you thought the farmers back home were not aware of this situation?

Mr. WHELAN: I should have said the dealers.

Mr. NICHOLS: Yes, the dealers. But, I would think that the dealers are aware of the situation, and no doubt, they are concerned about it. But, like anyone else, when they make a sale they quit worrying about it.

As a corn producer I feel that we should have the proper facilities not only to handle corn but also the other grains, and that our products should be properly taken care of. This not only would better serve our requirements but would be of great benefit to the farmers in Quebec and in the maritimes. I think that the national harbours board officials, or whoever is responsible, should give this problem very careful study in order to make sure that we have the necessary facilities.

Mr. WHELAN: From the little information I have been able to obtain in this respect I believe that our corn industry is going to expand and that the producers will demand proper facilities for the faster handling of their corn and larger drying facilities. We all know that western grain does not need the same car that corn does in an elevator. Sometimes the dryer is only there in case they get some western grain which is out of condition, and this dryer is not a huge corn dryer as we would think of it.

On page 5 of your brief you say:

We oppose government intervention in taking away the rights and privileges of private individuals and business firms provided, of course, that they are performing in an ethical and efficient service in their business practices.

That statement means if they are not doing this, then more or less they are sanctioning some type of an agency to do this.

Mr. NICHOLS: That is not what we meant to imply.

Mr. WHELAN: I hoped it was.

Mr. NICHOLS: I think it would be pretty difficult to go around and determine whether or not these dealers are doing an efficient job. My experience has been that on the whole they are doing a good job. Although there may be some who do not, we believe private business firms and individuals have a place in our economic and domestic way of life, and that too much control quite often stifles this. Therefore we question the advantage of it at the present time.

Mr. WHELAN: My concern, and I think the concern of other members of the committee, from speaking to them privately, is the problem of making feed grain available to the eastern livestock producer at the most reasonable costs. As you point out in your brief, this year the handling of our corn can be costly both to the consumer of western Ontario corn and Canadian corn, and can be damaging to the producer of this corn. I am not blaming the dealers in our area. I know there is a problem in the corn growing area, but there certainly is some lack of co-ordination of effort to make sure the corn is looked after properly after it leaves the area for the benefit of all, whether or not they are in the distilling industry.

This is one of the things which have brought about a lot of thought in the minds of some people; that is, probably there should be some definite body set up to study this which has power to make recommendations in respect of storage and guaranteed payment for the storage. One should not be allowed to walk in and say he wants three million bushels for the national harbours board and then only use one million; somebody is going to have to be compensated for the two million that is set aside.

Mr. NICHOLS: There is one thing which alarms me in respect of this commission, or whatever you might call it. It could be that this body would have too much power. There have been times in western Ontario when we have thought we are a forgotten area. At the present time we have been able to sell our product, so far as corn is concerned. However, rightly or wrongly, sometimes we felt the power of western agriculture has sort of overshadowed our little forgotten area, and we would not want to see a commission set up which would make it worse than it is.

Mr. WHELAN: I do not think this body would recommend anything they thought would jeopardize the rights of one group of agriculture because it would be to the advantage of another group.

I know in a good many instances this year the elevators had to tell the farmer to stop delivering corn because they had no room for it and had no drying facilities, and no one who would accept delivery. Would you care to estimate how many acres are yet to be harvested in western Ontario?

Mr. NICHOLS: You are making it very difficult for me, sir. At the present time I do not think there are very many acres left to be harvested for that reason. There was some mould damage which started to appear in cribs and standing corn. One reason for that is that the weather was cold. However, I do not think there is 10 per cent of the corn left; I do not think too much is left.

In respect of this mould, as near as we can trace it down—and we sent away for tests—we think it is due to the cold weather in August and September. There is one other thing which came up in our discussions. For some 15 years I have been a member of the standards committee of the board of grain commissioners for eastern Canada and part of the responsibility of this committee is to go over all the various grades of commercial grains. Although it is not really within our jurisdiction, each year the Ontario Elevator Association has sent out a notice to all the corn dealers mentioning the importance of properly cooling the corn before it is loaded. This has caused a problem in respect of corn and also has caused a problem for the national harbours board when the corn comes in out of condition. Our committee is working on this. We welcome the government inspection and assistance; they are doing a good job there. Some of these problems have been created by carelessness.

Mr. WHELAN: There is a reason for my having asked the question about the corn yet to be harvested. I am sure members from the London area are aware of this; that is, I have noticed that right near the airport there are two large fields still to be harvested and, when coming into the Windsor

airport I have noticed that there are quite a few fields not yet harvested. I think the reason for this probably is that the farmers have filled all the facilities they have and do not want to spend any large capital expenditure on new storage facilities, and want to harvest and deliver at the same time, most of them with the picker-sheller operator. If the weather does not get too bad, they may harvest this, but a lot of it could be lost or could come off in other than top quality.

Again we simply do not have enough storage in the corn growing area. This corn should have been harvested because we had a proper fall for harvesting and we should have a top quality product to feed the market.

Mr. NICHOLS: I agree with you, and I hope this committee and the department of government will realize this. At the present time the corn industry is a \$65 or \$70 million industry, and I am talking about grain corn; it is expanding. Our government officials tell us this will increase another 20 per cent.

There is another thing I would like to point out for your information. Some of you may have wondered why Canadian corn is getting prices over United States corn; part of it is dollars and cents. Unfortunately our corn is controlled entirely by United States prices. Our corn is at Chicago price plus the current rate of exchange and duty. Freight does not matter too much because you can bring it cheaper from Chicago to Montreal when it comes by boat than you can bring it from some of the other centres. Today in Chicago cash corn is \$1.22; there are eight cents duty on that which makes it \$1.30 and the current rate of exchange is about 7½ cents, which would make it about \$1.40. For our corn at home we are getting \$1.20. Our corn this year has been about 20 cents a bushel, during harvest time, lower than it should be when we are competing with United States corn. When the harvest is over our corn gradually goes up to what United States corn prices are. Of course, if United States corn prices slip, ours will go down. This is another reason why in the interest of agriculture and the producers there should be necessary storage facilities to take care of this industry.

Mr. WATSON (*Assiniboia*): Mr. Nichols said they could ship corn from Chicago to Montreal cheaper than they could ship it from, we will say, his area in Ontario. Why can you not also take advantage of water shipping?

Mr. NICHOLS: When we were preparing these briefs on freight rates, and so on, we had investigated some of these things. I am quoting from memory now, but I believe it is about 10 cents a bushel to ship corn from Chicago to Montreal by boat. As we point out in here, it is 32 cents a hundred weight by rail. There are 56 pounds of corn in a bushel, so that there is a difference of about 18 or 20 cents a bushel; we pay more. We have some facilities at Windsor, but there are not many elevators there. If we go to Sarnia, the storage is pretty well filled up. It is difficult to obtain storage in order to load boats. It takes 100,000 to 200,000 bushels of corn to fill a lake boat, and it is difficult to obtain storage for that.

Mr. WATSON (*Assiniboia*): Would it be true that you should have the storage at that end instead of at the Montreal end so that you could take advantage of the water rates?

Mr. NICHOLS: It would be nice if we had both. I think we really need it. In catering to Quebec and the maritimes in respect of their requirements, the corn is shipped directly. In respect of corn being harvested, starting probably in the middle of October to the end of November, and getting it shipped by lake boat, it could run into the freeze-up period, and so on. In the later part of your harvest period you could run into that problem.

Mr. BROWN: Mr. Chairman, my question was dealt with, to a considerable degree, in the answers to Mr. Whelan. I am interested, however, in your remarks to the effect that you are opposed to any further control by the government in respect of the movement of feed grain. You recommended government inspection and said that you are in favour of encouragement of individuals in private business. I wondered if that would be encouragement on the part of the government, and I wondered what kind of encouragement you referred to.

Mr. NICHOLS: I thought we were, as I understood it, suggesting a government agency, board, or commission to handle, direct and control the movement. I understood that consideration was being given to an agency of the crown to sell to Quebec and to the maritimes, and to handle it in that manner. Is that not what is being discussed?

Mr. BROWN: Does that also include the subject of storage?

Mr. NICHOLS: No, this was dealing entirely with a government agency. Storage is in another paragraph, I believe.

Mr. BROWN: When I was reading it, I wondered. You spoke of encouragement of the individual. I wondered if you had any idea of the government encouraging the individual farmer to store grain on his farm rather than to take advantage of elevator storage, because you said that the harbours board had dealt satisfactorily with the storage, but did not have adequate storage facilities, as it subsequently came out. I wondered if you had any idea about the encouragement of individual farmers by the government towards providing proper storage on their own farms.

Mr. NICHOLS: That could have some advantage. We had no thought, when we said encouragement, that we expected the government to assist us, or to subsidize anything in particular. This was rather a general statement, I would say, and I was reflecting on the possible advantage if this would work. We were not familiar enough with it. I do not believe the government has gone far enough in its investigation. But I think until the point came when we would know exactly what the situation was, we would be opposed to more controls. In other words, we just do not want to have it hampered by encouraging assistance to elevators, or for storage on the farm. I could not feel justified in asking for it. I think as a whole we have to run our own businesses, and we will do so. But we are not asking for help. Even in our tariff presentation, we would be opposed to anything which would be detrimental to our industry. In the last tariff negotiations in 1956 we were told why we lost the two cents on corn. It was because they made a horse deal and gave the American government the advantage on corn in exchange for an advantage on something else, and we corn producers paid the shot.

The VICE CHAIRMAN: Is that all? Now, Mr. Horner.

Mr. HORNER (*Acadia*): I have a number of questions on pages 4 and 5. My first question is in regard to freight assistance on page 4 where you endorse the suggestion that freight assistance should be paid or allowed on the movement of corn and other feed grains produced in Ontario. Have you any suggestion as to how freight assistance would be paid on Ontario corn and not on United States corn which was moving in Ontario?

Mr. NICHOLS: Well, that did happen once, much to the dismay of our corn producers and to many Canadians when they did pay a subsidy on some American corn going down to the maritimes. But perhaps I should not get mixed up in that question. However I do not think we need a subsidy. We do not need to subsidize our southern neighbours, as good as they are.

In regard to this thing here, we think that producers of Ontario corn take a selfish viewpoint about this, and do not want to have western grain

come in in competition with their products. But we in our committee do not agree with it. We have Quebec and maritime producers as well as Ontario producers, and they have been given the privilege of getting feed grain from the west, and it has been helpful to them. But again, on the other hand, we think that Ontario corn and feed grain should be given the same consideration.

As I understand it, there is \$5 per ton freight assistance on various western grains coming into certain parts of Ontario, and the further away it is removed from harbour points the greater it increases. I think we are justified in asking that the users of Ontario grain in Quebec and the maritimes should also have the same privilege and we think it is a handicap that we do not get it.

Mr. HORNER (*Acadia*): I understand that, but how would you ensure that the freight assistance would be paid on Canadian corn and not on American corn?

Mr. NICHOLS: When you have the bill of lading you may not know how it got here, because if it is in storage it loses its identity.

Mr. HORNER (*Acadia*): Yes.

Mr. NICHOLS: I am not trying to avoid the question, but what happens in the west when the grain from out there comes in? How do they identify it out there?

Mr. JORGENSEN: There is freight paid on all of it.

Mr. HORNER (*Acadia*): That is right, there is freight paid on all of it, and there is no need for identification. For example, there is no American grain of any amount moving east from the prairies.

Mr. NICHOLS: Before I comment on it I would like to study the matter. It is quite possible that in the interest of the eastern consumer—and I am talking about the poultry and livestock feeders—they should have the same right, whether it is on American or Canadian corn. I would not want to go quite that far and suggest that it be paid on American corn, but if it cannot be identified and it has got into Canada, then the assistance has to be paid. As long as we have the present tariff and one thing and another, we could compete with our American farmers, and we have to. But it would be beneficial if we were given this freight assistance, and it would be beneficial to the consumer as well.

Mr. HORNER (*Acadia*): It may well be so, but there is no use in recommending something which is impractical. I wanted to get the practicability of it to see how it could be applied. But apparently you have not made a particular study of it, and I do not know the answer either. This I readily admit.

My next question deals with the third paragraph on the same page, having to do with terminal storage facilities. You suggest that there be greater terminal storage, and in summarizing this paragraph you also said earlier, during this meeting, that corn sells at nearly 20 cents less during the fall than it does later on, because of demand, lack of storage, and so on. In this paragraph you deal with terminal storage facilities, but not merely terminal storage. Do you think there is need for greater storage, let us say, at the country elevators, as we call them in western Canada, or even on the farms in Ontario?

Mr. NICHOLS: I am positive that we need more storage. I am positive that we need these facilities here at Montreal, so that the year's crop could come in in an orderly manner and we would be able to serve eastern Canada and fulfil the requirements as they need it.

Mr. HORNER (*Acadia*): Let us accept this first point you have made. You are positive that we need more storage at the terminals, in the country, and on the farms. Do you agree with that summation?

Mr. NICHOLS: Yes, but personally I feel, as far as farm storage goes, it is the responsibility of the farmer.

Mr. HORNER (*Acadia*): I agree.

Mr. NICHOLS: We do not want to subsidize everything.

Mr. HORNER (*Acadia*): We are here now to try to help the whole problem. Do you think it would be of any benefit to the farmer and to the feed grain industry if the government were to come out, let us say, with a lending policy? For example, we are paying \$500 for winter construction of homes. I merely use this as an example. This is a sort of priming the pump for home construction and winter employment. Do you think the government should do something similar or along that line to prime the pump and create a little initiative or desire to build more storage on the farms and in the country?

Mr. NICHOLS: Well, it is quite a big subject, and I would be able to answer this more readily if I had not had the experience that I have had this year. I have been growing corn for 30 and some years—if you will permit me to relate personal experiences. I do not profess to be a large farmer. But I do operate in a larger way than many others. I have been growing and storing my own corn in cribs, and I have facilities for 50,000 bushels. This fall when the mould came along, I was watching it, fortunately, and I immediately shelled and dried my corn. This created quite a problem. There was corn almost running out of our ears. When you get 15,000 bushels of shelled corn, and you do not have any facilities for it, it creates quite a problem.

I think it would encourage the building of storage, if this could be done, but I would not want to recommend the government going along with something which may not be too practical.

I thought it was right, and I thought I could not go wrong, when I referred to the fact that corn was 20 cents a bushel less now than it will be, because nine times out of ten I will get 30 cents a bushel more for it next June than I could get at harvest time.

Mr. HORNER (*Acadia*): It is a common sight in the west to see farm after farm with huge amounts of storage facilities. And throughout the west, as you are well aware, country elevators have been built over and over again, and these have been a real asset in storing corn. We in the west do not have enough storage space, so we operate on a quota system whereby the farmer has to keep his grain somehow or other until he is able to deliver it under the quota. But I do not think there is enough country storage for this crop.

Mr. NICHOLS: Mr. MacKenzie agrees with me here that this is so.

Mr. HORNER (*Acadia*): Let us take it from there. Can you think of anything else to encourage it? We now have pools in the west, the Manitoba, Alberta, and Saskatchewan pools, the United Grain Growers, and the co-operative movement which has moved in and built storage in a tremendous amount. Do you think there is any room for a syndicate, or pool, or co-operative to move into the corn storage business? Always remember that there is a 20 cent spread, and that somebody should be capitalizing on it. Is there an area here in which the government should encourage a syndicate, pool, or co-operative to move into building storage?

Mr. NICHOLS: As far as my own personal operation is concerned, I have tried to build my own. As a member of and chairman of the corn board—and this is my second group of years as chairman—I am always prepared to co-operate and unite with other farmers or growers in presenting our problems and trying to solve them. But to get into pool storage and so on, particularly in regard to corn—and again I would have to say that before this year I had no problems with crib storage—I consider that corn is a good deal easier to store than any other grain. They have their snow fence cribs, and so on; but when you come to shelled corn for the elevator and feed trade, it is a lot more difficult to handle it.

Mr. HORNER (*Acadia*): It would make it more difficult.

Mr. NICHOLS: Yes; owing to the aerating that I referred to we have a great deal of difficulty. When I dried my corn and got it home it was at a temperature of from 80 to 85 degrees, and we had a considerable problem getting it down below 60 so that it was safe to keep.

Mr. HORNER (*Acadia*): Speaking of dryers, are there any syndicates or co-operatives in southern Ontario which have dryers? By syndicates I mean a group of farmers who have got together to buy a dryer on their own and dry their own corn? Have you anything like that?

Mr. NICHOLS: There might be just a few. You have your community co-operatives, but they would hardly be classified under that group; and you have your government plan of lending money to buy machinery—I mean lending money to a farm group to be used for that purpose; but I expect they would have to build storage.

Mr. HORNER (*Acadia*): No, it cannot be used for building.

Mr. WHELAN: For dryers.

Mr. NICHOLS: Dryers, but not building.

Mr. HORNER (*Acadia*): We tied it up too tightly.

I am going to drop that question, Mr. Chairman, and proceed to page five of the brief.

The VICE CHAIRMAN: Yes, Mr. Horner, proceed.

Mr. HORNER (*Acadia*): In the third paragraph of page five you deal with government agents. Should there be or should there not be? This is a question that has been bandied about, and I have been on both sides of it at one time or another. You say you do not want control, but you welcome government inspection and assistance. What would you say if the government were to see fit to appoint or recommend the appointment of a co-ordinator to act as a go-between among the buyers, the handlers and the growers in order that the wrinkles may be smoothed out of this feed grain problem and that the feed may get to the farmer a little more cheaply than is the case presently?

Mr. NICHOLS: That again is rather a big question to answer on the spur of the moment.

We talk here about inspection, and I referred to the board of grain commissioners and the job they do of inspecting grain. The grain has come up to the various standards; you are aware of that.

Mr. HORNER (*Acadia*): Yes.

Mr. NICHOLS: I think that is very beneficial, but I do not know about the liaison officer to whom you refer. What would he do? Would he check on the inspection officers? Would he go to the mills to see that the operation was being properly carried out?

Mr. HORNER (*Acadia*): No, he would not be an overseer of the grain commissioners. I envisage him as a person who would examine the demand for eastern grain and the demand for feed grain in eastern Canada, for example, and who would make sure that there was ample storage and that the storage was used. I do not know just what percentage of the capacity of the storage is used now in eastern Canada. Is it 90 per cent? Is it 100 per cent? I do not imagine it is 100 per cent.

I envisage this as a person who would try to obtain the greatest amount of capacity and use of the available facilities, and satisfy the demand for products. We have had evidence before this committee time and time again that the corn was there, for example, but it just could not be delivered to the mills

without 24 box cars being tied up with demurrage charges for two weeks, and all this sort of thing. A co-ordinator may be able to do something in this regard.

You do not want control, and I am not suggesting that a co-ordinator would bring about any unnecessary control. I am not suggesting he would put you in a straitjacket and surround you with regulations; I am suggesting he would try to ensure that the proper facilities existed and that the maximum use was being made of them.

Mr. NICHOLS: Do you suggest that if they were to ask for facilities in Montreal the facilities would be made available? I grow wheat. I know that when one wants to get wheat over to Sarnia, for example, and into the storage facilities there it is quite impossible because they are filled up with other things. Would this co-ordinator make certain that the producers of Ontario were given their share of the facilities at the harbour in Montreal, Sarnia and various points? Is that what you think?

Mr. HORNER (*Acadia*): This could be the case.

To summarize my question, Mr. Nichols, can you and your organization see any useful purpose that could be served by the appointment of such a person—you can call him a co-ordinator or what you will—in the feed grain industry?

Mr. NICHOLS: In all seriousness, if it were this man's job to make certain that the facilities were shared and made available to the producer, he would be very useful. In the past, the facilities have not been too readily available.

Mr. HORNER (*Acadia*): I take it, then, that you agree there is an area in which a person may be able to help?

Mr. NICHOLS: Yes.

The VICE CHAIRMAN: Before we continue, I would like to inform the committee that I have on my list of those members wishing to ask questions Mr. Cardiff, Mr. Mullally, Mr. Kennedy, Mr. Beer, Mr. Roxburgh and Mr. Thomas; and I would like to remind the committee that it is now almost 25 minutes to 12.

Mr. Cardiff.

Mr. CARDIFF: I assure you, Mr. Chairman, I will be very brief.

Mr. Nichols, I would like to congratulate you on your brief, and I understand from this brief that you had an appointment with the agricultural committee some weeks ago but decided, owing to the fact that the Minister of Trade and Commerce had assured you that no reduction was to be made in the tariffs on corn, that it was unnecessary to waste the time of the committee. Has anything happened since that time that has prompted you to come before the committee now?

Mr. NICHOLS: Mr. Cardiff, when we were down here before, we understood there had been a brief presented to your committee pointing out that Ontario corn was lower in energy, food value and nutrition than United States corn. That is why we asked for an opportunity to make this presentation. It deals with that, I believe, and other matters as well.

Mr. CARDIFF: I was at that particular committee and I do not remember it being said that Canadian corn was not as good as United States corn. As a matter of fact, the very opposite was stated, I think. They are a little earlier, of course.

There is another question I would like to ask you. You were not afraid by any means that the minister would change his mind because of pressure from other sources and take off the tariff?

Mr. NICHOLS: I would not be qualified to quote the minister's thinking. However, I feel we were given this information with all truthfulness and sincerity. Then, because of my appointment to another committee by our federation, I was in the office of the hon. Mr. Hays and he pointed out that corn was being negotiated. He assured us again that they would not be stupid enough to let the United States embarrass the corn industry when we had an 8 per cent duty on United States corn coming in here and there was a 25 per cent duty on corn going into the United States.

Mr. CARDIFF: That is very true but the fact remains—and it does not matter what government is in office—pressures come from different sources, and when the pressure becomes hard enough the government changes its mind. The fact is that the 8 per cent is a very low percentage in contrast to what they charge, and it should be higher. However, we will drop that now.

I will ask you another question. What is the price that you receive in Chatham for shell corn loaded on trucks for delivery right now?

Mr. NICHOLS: The price is \$1.20 per bushel.

Mr. CARDIFF: I might ask you something else because you know a lot more about it than I do. How deep can you store corn in order to keep it cool without heating?

Mr. NICHOLS: Some of the elevators you are using for corn are 70 to 80 feet high and I believe some of them have a capacity of 45,000 to 50,000 bushels. Of course, I am not an authority on elevators. They use the same elevators for corn as they use for other grain, but they aerate it regularly to keep it cool.

Mr. CARDIFF: They have some means of cooling?

Mr. NICHOLS: Yes, they use an aerator.

Mr. CARDIFF: What I am talking about is—

Mr. NICHOLS: You are referring to storage at the farm?

Mr. CARDIFF: Yes. Suppose I were to go down to Chatham and pick up a truckload of corn; I have no silo to put it in. How deep could I store it and save it properly?

Mr. NICHOLS: I would say that you would have no problem whatever with two or three truckloads.

Mr. CARDIFF: On a barn floor or something like that?

Mr. NICHOLS: Yes. You could put two or three truckloads on a barn floor and you would be feeding it up fairly regularly.

Mr. CARDIFF: Thank you.

Mr. NICHOLS: May I revert to an earlier question? I have been serving on agricultural committees for a number of years. I have been very active in the industry and I have tried to keep politics out of it. I might mention that we had a great deal of co-operation from the late Tommy Thomas, the late Ontario minister of agriculture, from Mr. Kennedy, from Bill Goodfellow and from Bill Stewart, and yet politics never entered into it. I would like to say that we have come down here not to grease anybody's wheel but because we are interested in corn and agriculture; and in the Canadian economy as a whole.

Mr. CARDIFF: The fact that I have been around here for 25 years—in opposition most of that time—can assure you that I would not be sent back if I were very politically minded. That is the reason I asked you the question.

The VICE CHAIRMAN: Thank you very much.

Mr. ROXBURGH: That is why they sent us all!

The VICE CHAIRMAN: I think I can assure you, Mr. Nichols, that on this committee we are all non-partisan. We are here to obtain information.

Mr. MULLALLY: May I say that this is a very good brief and that the witness has answered the questions extremely well, covering practically everything one would want to ask. Most of my questions have been covered as they were in connection with the feed grain agency, so I need not ask for your views again.

There is one question that I would like to ask in connection with the marketing board. You are evidently representing the Ontario seed corn growers marketing board. Does this board market all the seed corn in Ontario?

Mr. NICHOLS: We market none. We operate under the term "marketing board", which as you know comes under the provincial legislation. There are a number of types of contract. In our case we negotiate a contract between the dealer companies and they pass the contract on to the growers. The seed corn is delivered to the companies' plants on the ear and they take it from there on and process it, and resell it for seed corn.

Mr. MULLALLY: It is more a marketing board in name than in the actual practice of marketing your corn. You market your corn individually? This is not a one desk selling agency?

Mr. MACKENZIE: No. We purely negotiate the contracts between the producer and the company.

Mr. MULLALLY: You just negotiate a price at which each grower sells individually to the company of his choice?

Mr. MACKENZIE: Yes, and the type of contract under which he sells. There are several different types of contract under which the grower sells. That is where our board operates—between the producer and the company. We do not actually market any corn at all as a board. We have nothing to do with that. There are some 125 kinds of corns to be sold or which can be sold in Canada, and we would not want to get into that. We do work very satisfactorily in co-operation with the producing companies.

Mr. MULLALLY: Do you have a marketing board to market commercial corn?

Mr. NICHOLS: No.

Mr. MULLALLY: There is no marketing board of any kind?

Mr. NICHOLS: No.

Mr. MULLALLY: Do you think a marketing board would be beneficial to the industry for commercial corn, and do you think your board could be more beneficial if it were to have more marketing power?

Mr. MACKENZIE: No; I do not think our board should get into the actual marketing of corn at all. But, I think we should co-operate with the processors and make sure the producers under our plan get a fair deal. That is as far as we can go.

So far as the marketing of seed corn is concerned, in my personal opinion, there is definitely a place for a commercial corn plan similar to the wheat plan and various others which operate.

Mr. MULLALLY: Do I interpret what you said as favouring a marketing board for commercial corn similar to the wheat board in western Canada?

Mr. MACKENZIE: No, similar to the operation of the Ontario wheat marketing board.

The VICE CHAIRMAN: Will you proceed now, Mr. Kennedy.

Mr. KENNEDY: Mr. Chairman, my question was going to be directed in respect of the co-ordination of delivery of grain to eastern Canada but as this subject has been fairly well covered I will not pursue it any farther. But, at this time I do want to commend Mr. Nichols and his committee for endorsing

the eastern conference's request for freight assistance on corn to the Atlantic province because, as you know, corn is high in both protein and carbohydrates. It is a high energy product, and I am sure if the Atlantic provinces were put in a competitive position with the rest of the country much more of this product would be used in the east.

The VICE CHAIRMAN: Have you a question Mr. Beer.

Mr. BEER: Mr. Chairman, first of all, I want to say on behalf of members of the committee that we are very pleased to have Mr. Nichols and Mr. MacKenzie appear before us as witnesses today because of their broad experience in this particular field.

I have two questions I would like to direct. I noted your brief is aimed at three main points, namely storage, freight assistance, and an agency.

In respect of storage I believe you have suggested that probably the storage of corn on the farm is the responsibility of the farmer and that we do not need to be spoon fed, I think you said. I am wondering if there would be an opportunity or any justification for a township co-operative type of storage program? As you know, the government recently has brought in a machinery bill which would lend up to \$100,000 to groups of farmers, syndicates and so on, for purchasing machines, which may be owned jointly, and perhaps even this type of legislation might be extended to cover this need. I am wondering whether or not there may be a need in farming communities for co-operatively owned storages where farmers could send their corn to have it properly dried and made available to the trade in the best possible way and in the most uniform way. When this product is dried on the farms there may be variations in the degree to which it is done properly. Some farmers may do it better than others. The success of any business, as you know, depends upon the uniformity of the product it produces and puts on the market. It may be that this legislation to which I am referring already is available but, if not, there may be a need for additional legislation or amendments to the present legislation, which would answer this need.

Mr. NICHOLS: Well, Mr. Beer, your question takes in quite a wide scope. First of all, I would say, relating to corn particularly, because this is a rather ticklish product to handle and does take experience and so on, that if the necessary storage facilities were one level above the local dealer so that he could accept it, store it, and then get rid of it by passing it on to the trade, it would greatly eliminate the farmers' problem. You see, there is a bottleneck. If you build a column of dominoes and knock the lower one out they all go down; in other words, if the farmer wants to take his corn into the elevator and he is unable to take it because when he is ready to ship it there is no space available that is not good. But, if he could take his product and get rid of it and have it put in the right type of storage I believe this would greatly alleviate the problem which we have. But, I would question just how it would work if, say, township units and so on were set up for storage.

Mr. MACKENZIE: If I could interject a comment at this point, I think I can illustrate what I believe you are putting forward. I am referring to a case which occurred in the south end of Waterloo county. There was an elevator there with drying facilities and so on which normally bought 10 cars of corn a year but this year, instead of buying 10 cars, there are 10 cars to sell. That is the way the thing has spread, and it has spread very quickly. So far as I am concerned, there is a place for some sort of operation such as you have suggested, Mr. Beer.

Mr. BEER: Perhaps I should not have used the word "township". I was thinking of an area in the community where perhaps 20 or 50 farmers could

go together and the government might provide some money on a loan basis for the establishment of this type of storage facility and in this way, together, they could do a better job than the individual could.

Mr. MACKENZIE: Yes. I also want to make this remark, some of the farmers who are handling corn in Ontario are not doing a first class job in their work at the present time. Some of the corn that is going off colour in Montreal under demurrage at the present time was not properly handled before leaving our area.

Mr. BEER: This would remove some of the pressure from these main terminals which is now causing trouble.

Mr. MACKENZIE: Yes.

Mr. BEER: My second question is in respect of freight assistance, and I note you recommend some assistance on corn moving from corn producing areas to other provinces. In my opinion, we have to take a very broad view of this whole matter. Of course, with regard to the assistance now paid on western grain from Fort William by water, which is the cheapest sort of transportation, to eastern ports, the farmer pays the cost of all the transportation from his farm in northern Saskatchewan down to Fort William. If we applied the same principle in a fair manner perhaps assistance in Ontario might not take over until the corn had been placed in Montreal or some other place farther east; but I think at that time there should be some assistance on corn. As I say, I think we have to apply a broad principle in a fair way. I thought some of the other members might have noted that the western farmers do pay all the cost of transportation to the lakehead.

Mr. MACKENZIE: I think it is quite true that part of the trouble is there is no form of assistance in respect of Ontario produced grain at the present time moving from, we will say, Montreal to points farther east in Quebec and the maritime provinces. We feel that assistance should be in effect in respect of Ontario grain as well as the other. We can arrange to get the corn to Montreal if we obtain assistance from there on.

Mr. BEER: My next question has to do with an agency, and I note your desire to rely on private enterprise in this particular field. From what you have said I assume you feel that if any government assumes some responsibility for assuring there are adequate supplies of feed grain in location in eastern areas through payment of storage this is as far as the government should go. Am I correct in this assumption or do you feel there is some other service which should be provided? From what you said evidently you do not feel that this is so. You feel the present service is sufficient or you would have supported the idea of an eastern feed grain agency?

Mr. NICHOLS: Mr. Chairman, I was going to have the secretary answer that question. I did not hear the entire question.

Mr. BEER: Well, you do not entirely favour an eastern feed grain agency.

Mr. NICHOLS: No.

Mr. BEER: And I assume that you feel that the government's responsibility ends when they assure that sufficient feed grain will be in location in eastern elevators and that there is storage and so on paid. In other words, do you feel there is adequate control?

Mr. NICHOLS: Well, it would be a big improvement to what we have now, and unless there is some evil creeping in which I do not foresee I think it would be very satisfactory.

The VICE CHAIRMAN: I have now Mr. Roxburgh followed by Mr. Thomas.

Mr. ROXBURGH: Mr. Nichols, I have just one or two brief questions.

I notice in your opening paragraph you state:

As appointed representatives of the Ontario seed corn growers and the Ontario federation of agriculture to represent the commercial corn growers—

And so on.

In what capacity are you giving this information to the effect that you are against, we will say, or not in favour of an eastern grain board to help things along? Who are you speaking for when you make that statement? You are representing here the Ontario Seed Corn Growers Association and you are also representing the Ontario Federation of Agriculture to represent the commercial corn growers. Now, the federation of agriculture is behind this; they have given certain sanctions and have expressed certain thoughts. But, for whom are you speaking when you give that information?

Mr. NICHOLS: In regard to that, Mr. Roxburgh, this came about first, we might say, when we were very active in the freight rate program and so on, and we were appointed by the Ontario federation. I was a member of that federation and Mr. MacKenzie also was helping in that respect. And, we have been following through on the corn industry as a whole.

Although I do not like to bring in personalities, I mentioned that I am in favour of free enterprise. I believe we would have had a commercial corn growers' plan in Ontario if it had not been due to the very energetic activities of some non-sellers of corn. And, when I say that may I say that one large corn producer who does not sell a kernel of corn was one of the greatest opponents of that. It sort of makes me hot under the collar when people for entirely selfish purposes go to no end to protect their own interests.

A man who was the chairman of the milk producers board in our county a number of years ago and who no longer has a farm has been very active in this connection, and yet he had to buy corn and other products, although he had all the protection available for the milk industry. I have no objection to protection but I do not think it is right for a man who has an umbrella of protection over his head in respect of the milk industry to go out and work to upset any other group who are asking for similar considerations. It looks to me like he is in deep quicksand. While we are in this position of speaking for the commercial corn growers, there was no corn growers marketing plan or group; it lost out by a small margin. So, the Ontario Federation of Agriculture, which is interested in agriculture as a whole, asked us to do this. Also, when we went to the Hon. Bill Stewart, the minister of agriculture and discussed the tariffs he personally endorsed it and spoke to the ministers down here. The Ontario executive of the O.F.A. and their committee unanimously endorsed that. They represented all phases of agriculture, the poultry producers, beef producers and all other segments of agriculture. They felt that we were familiar with the corn industry and that is why we were appointed by them to represent this group as well as the seed corn growers marketing board, and we have a mandate from our own growers.

Mr. ROXBURGH: Sure, I know you are speaking for the commercial corn growers.

Mr. NICHOLS: Yes, I would say we are.

Mr. ROXBURGH: And, that you represent the Ontario Federation of Agriculture in that respect. I understand exactly what you are talking about. I do understand what you are up against, and do not think that I do not. But, as you know, we have had some contradictory statements and I just wanted to clarify this matter.

As you know, we have discussed at length storage space both on the farm and away from the farm. But, I think one point was passed over very quickly. I do not say that it was intentionally passed over; I do not think the question was put strong enough. What about the elevators on the water? What are the possibilities of more storage space being made available on the waterfront up there which would enable you to compete with the water rates on United States corn?

Mr. NICHOLS: Are you referring chiefly to Sarnia and Windsor?

Mr. ROXBURGH: Whichever section it is. I suppose Sarnia would be the one.

Mr. NICHOLS: Sarnia and Windsor.

Mr. ROXBURGH: I would think so. What do you think?

Mr. NICHOLS: I think we need them. I am not speaking disparagingly of the western grain, but these facilities get pretty well filled up with feed grain, and so on, and so far as corn is concerned, the western grain is harvested first and because of that these facilities are filled up. We need more.

Mr. ROXBURGH: Do you think that private enterprise, without some initiative given to them, could look after it in view of the expected increase which is taking place? Do you think that through some planning on the part of your agricultural committee and the government they might be able to do something? Is something like this essential up there in order for you to be competitive?

Mr. NICHOLS: I think that is right. Again, I am not entirely familiar with this situation, but I believe there are designated areas in which elevators can obtain assistance in expanding their plant operations. Is that not right?

Mr. ROXBURGH: I am not sure.

Mr. NICHOLS: Possibly because of the prosperity in our area I believe our elevators are not extended this assistance; it may be because of tax plans, and so on. There is the possibility that this should be broadened. It might help these elevator men if they were extended this advantage even though they are in a more prosperous area than the others.

Mr. ROXBURGH: In other words, it is worth looking at.

Mr. NICHOLS: Yes. Agriculture has changed today. Even in respect of wheat, oats and barley where they used to cut it with a binder, stook it, and thresh it in the wintertime; today most crops are harvested in two or three weeks and everything comes in at once.

The VICE CHAIRMAN: Thank you very much, Mr. Roxburgh.

Mr. THOMAS: I have a few questions most of which may involve yes or no answers. Mr. Nichols has mentioned the difficulty of representing various interests within the agricultural industry. Do you consider there is any conflict of interest between commercial corn growers and seed corn growers.

Mr. NICHOLS: No. As a matter of fact, we try to have little visits, and yesterday I endeavoured to have a visit with Mr. Morris to go over this, but he was not available. I do not have a copy of their brief, but I read in the paper a few of the things they presented. You will notice we have not contradicted them. The fact that I did refer to free enterprise had nothing to do with the request they are making of the government. I was just commenting on their opposition to a marketing plan, and mentioning that some of them may be sellers of corn.

Mr. THOMAS: Would the application of tariffs have any different impact on the commercial corn men?

Mr. NICHOLS: No. It is the commercial corn which needs the tariff. We mentioned that in our brief in June. Very little seed corn goes to the United States. We are vitally interested in commercial corn, because indirectly the seed corn benefits. If you go back to your tariff, the expanding industry in the rest of Ontario needs all the assistance it can have. They will come through, but do not throw any stumbling blocks on them by cutting the tariff and putting them under the United States bulk shipments of corn. Also, there is what is called free corn which is sold at considerably less money again. However, that is a long story.

Mr. THOMAS: Would you consider a high tariff to be an advantage to the corn industry in Ontario?

Mr. NICHOLS: It would be very advantageous. It appears to me that we should have a tariff on corn coming into Canada the same as that which we have to pay on corn going into the United States. In the brief we have pointed out that on beef it is three cents a pound and on hogs $1\frac{1}{4}$ cents. These other industries have a certain amount of protection. It would appear to be only fair and reasonable that producers of any other commodity should be given the same protection, because others are buying corn and using it in their business. If it is sold below its value, because of too low a tariff, then they are getting an advantage which I do not believe they are entitled to.

Mr. THOMAS: You mentioned you have been assured by the minister that the tariff will not be taken off. Is there a time limit on this or does it extend into the foreseeable future?

Mr. NICHOLS: Mr. MacKenzie as secretary of this committee has received a letter from the hon. Mr. Mitchell Sharp pointing out that they had no intention of removing the tariff. When we were down here before, the hon. Mr. Hays assured us that in the negotiations they were not going to change the tariff, particularly with the situation being what it was. The tariff on United States corn coming in here was only eight cents and it was 25 cents going the other way.

We would be very happy if this were to be increased, but we understand it is not government policy and may not be right for world trade at all.

Mr. THOMAS: Could you give me the acreage planted, comparing the acreage of 1963 with that of 1964? The bushels have already been compared.

Mr. NICHOLS: You mean for corn?

Mr. THOMAS: Yes.

Mr. NICHOLS: The acreage last year for corn was 800,000 acres, while the year before that, it was around 600,000 acres. We are told there is a potential of $1\frac{1}{2}$ million acres of corn land in Ontario with the new hybrids and so on.

Mr. THOMAS: I have one more question. Can barley be substituted for corn in these feed mixtures readily?

Mr. NICHOLS: Many users of feed prefer corn because they have become acquainted with it, and because there is a higher protein value to it. But here again I am not qualified to speak in regard to it. I would not want to try to improve our position in regard to corn to the detriment of the barley man.

Mr. THOMAS: I think I know the answer to this question, but I would like to have it on the record. Is your federation of agriculture established in Kent?

Mr. NICHOLS: Yes, we have one in Kent.

Mr. THOMAS: Have they taken any part in trying to persuade the government to promote or assist in building government storage at Chatham?

Mr. NICHOLS: Not to my knowledge.

Mr. THOMAS: Or at some other convenient point, which could take care of the surplus of feed grain and wheat?

Mr. NICHOLS: I think Sarnia and Windsor as lake ports are the two logical points, and possibly Port Stanley might be another one. That would cover southwestern Ontario, and from there on towards Toronto they are close to the market; and if you could take and store it there at harvest time, and then move it out, I think it would solve the problem. We think there should be storage at Port Stanley, Windsor, Sarnia, and at Goderich, possibly. It is rapidly expanding in that area, and also particularly here at Montreal, so it could flow in a natural manner into eastern Canada.

Mr. THOMAS: I was somewhat disturbed over the suggestion made by the parliamentary secretary to the Minister of Agriculture that any freight subsidy on Ontario produced feed grain should possibly begin in the Montreal area. The subsidy on western feed grain of \$5 has its full impact on the grain producer in southwestern Ontario, and he feels the full impact. As far as I am aware the feed freight subsidy has no beneficial effect on the producer of grain in western Canada, but it does have full impact to the detriment of the grain producer in southwestern Ontario. Would you agree with that?

Mr. NICHOLS: Yes.

Mr. THOMAS: Would you agree that any subsidy on grain produced in southwestern Ontario should begin at a point of origin in southwestern Ontario?

Mr. NICHOLS: I agree with you. It has worked to the benefit of the consumer in the east. We do not want to take anything away from the east, but we do ask to receive equal treatment. We are penalized and jeopardized in this manner. But I heartily agree with what you said, and I am glad to put it on record.

The VICE CHAIRMAN: Are there any more questions?

Mr. DANFORTH: I have two short questions. One is supplementary to Mr. Roxburgh's question, and it has to do with storage facilities in that area. In your opinion—and this is for the record as well—are local grain brokers and merchants in that area thinking of developing new private storage facilities for corn there?

Mr. NICHOLS: Yes, but of course they do not use them entirely for corn. They may start out with coarse grain such as oats, wheat, barley, and so on, and then they try to get it moved out, and use that space for soybeans, white beans, and corn.

Mr. DANFORTH: Would it in your opinion be a fair statement to say that there is an increase in storage facilities there, but it has not kept pace with the explosion of corn production?

Mr. NICHOLS: That is right, and I would agree that they have not been able to keep up with it. I have mentioned that I was not too sure how it would work. The area I am referring to is Kent county, for example, and I believe it is not designated to receive assistance to build new elevators and to expand, and so on. But it should be extended to them.

Mr. DANFORTH: Would it be fair to say in the normal course of events, as far as it is economically feasible, that private firms there will eventually reach the capacity where they will handle the normal production of corn in that area?

Mr. NICHOLS: Many of these fellows today, I think, may be developing along that line. They may buy corn, soybeans, and a number of other crops this morning, and sell it in the afternoon. They have to have a lot of facilities just to handle their normal flow of business. Normally they are not storing it in their own elevators, but are operating just a handling process on the whole.

Mr. DANFORTH: It is an exchange proposition.

Mr. MACKENZIE: Yes. It was brought to a fever heat this year because of the run of mild weather we had in October which allowed mould to develop.

Mr. DANFORTH: There was an abnormal movement brought about by the particular climatic factors which occurred, but which might not be prevalent next year.

Mr. MACKENZIE: Yes.

Mr. DANFORTH: I have one more question. Mr. Nichols and I heartily agree that the duty on commercial corn coming into Canada should be equal the duty on commercial corn going out of Canada. But may I ask him, as a representative of the corn industry, whether there has ever been a request made for an increase in this tariff, or for an equalization of it?

Mr. NICHOLS: Again, once before, the Montreal corn exchange—acting I would say in a selfish manner—asked that the duty be removed from corn. This would make corn cheaper to the producer who would have to pay the shot. If we were to ask for too much, then the feed producer and everybody else would be up in arms. But I think we are justified in asking for it. However, on the other hand, they have become accustomed to paying subsidies for the corn producer, over quite a while, and it is hard to break them of the habit.

Mr. DANFORTH: Is this the basic reason in your opinion why the industry as a whole in southwestern Ontario—in view of the fact that we are expanding—has not come forward and asked for a more rational equalization of the duty?

Mr. NICHOLS: We understood from reading the press and from obtaining what information we could that the trend at this time in the Geneva negotiations of the GATT was towards reducing tariffs as a whole.

Mr. DANFORTH: An over-all reduction?

Mr. NICHOLS: Over-all, yes. If this were the policy of all governments we would be foolish to ask for anything else. If there was a possibility of the other governments cutting their duties on corn to 12½ per cent we would like to see ours go up to 12½ per cent on imported corn. We did make that fact known, but to try to make it the core of a brief is a different matter, and we questioned the advisability of asking for higher tariffs in the face of all this information and of the press releases.

The VICE CHAIRMAN: Mr. Beer.

Mr. BEER: May I ask one supplementary question?

With reference to the application for assistance for transportation beginning at the source, I presume you would recommend or would have in mind that this would be on a 100 pound basis or a tonnage basis.

Mr. NICHOLS: On the same basis as the present feed freight assistance plan; that is, on a tonnage basis.

Mr. BEER: Right. So this begins at my farm. If I have a farm in southwestern Ontario it begins at my farm?

Mr. NICHOLS: I would not say it would begin at the farm. I think it would begin at the elevator level.

Mr. BEER: At the local elevator level?

Mr. NICHOLS: Yes, and it would have to be over a large area. I would not suggest that a different rate should be set up for Windsor, Chatham and so on. As I understand it, the rate is \$5 per ton and that would have to apply for a whole area. If there are areas for which the freight rate is a little more, I do not think there is any way, shape or form in which you could keep adjusting it. There should be a general rate for the whole thing.

Mr. BEER: Do you think this should be so much per ton or do you think it should be a percentage of the freight to that destination, whatever it may be?

Mr. NICHOLS: In the present plan, as I understand it, it is all on a tonnage basis, is it not? Then, as it gets out into other areas, so many dollars per ton are added to help with the freight.

Mr. BEER: If I were farming in the Chatham area and I had a brother-in-law in the Seaforth area, would I be eligible for freight assistance?

Mr. NICHOLS: We are not suggesting that the producer get anything. The man who buys it in the east will get that to help pay for his freight. The only advantage to the producer is that it gives him an additional market for his product and he is not handicapped by subsidized grain from the west.

Mr. BEER: In order to make it workable I think it has to be effective from some particular point, and I do not feel that the source of origin could be used in that case. It would have to be some point removed from that particular area, let us say immediately outside. When it moves outside the immediate area, then some assistance might come into play that would amount to a certain percentage of the over-all transportation costs, because if it were done on a straight tonnage basis beginning at the source of origin this would apply if it went a very few miles and it might be advantageous to move it a very few miles. Certainly we would not be able to encourage that kind of discrepancy.

Mr. NICHOLS: We are not suggesting this should be within the province. This is, for example, for grain that will go to Quebec and the maritime provinces.

Mr. BEER: The assistance would start at Montreal or some place outside the province?

Mr. NICHOLS: It could. Let us suppose it is \$5 a ton as at present and the Montreal bought corn from Chatham. They would figure on \$5 per ton freight assistance to bring that corn in to sell for feed and use the same policy as on all other feed grains, filling out these forms and all the rest of it.

Mr. BEER: We would have to move beyond—

Mr. NICHOLS: Out of Ontario.

Mr. BEER: Then there is no difference of opinion in this regard?

Mr. THOMAS: May I ask for a little clarification? I understand Mr. Nichols intimated that this subsidy should be only for assistance to the feeders who are using the product in southwestern Ontario. I was suggesting that the subsidy was required to the producers in southwestern Ontario as an offset to the impact upon them of the freight subsidy on grain from the west.

Mr. NICHOLS: I would not object to taking it, but I am not too sure that I would be on sound ground. I do not mean to contradict your thinking; I appreciate your assistance. However, that would be pretty hard to work. That would give us an advantage twice, I believe. At the present time we are handicapped, as you intimated, because the consumer gets the assistance on other grain.

Mr. THOMAS: I asked the question relating to barley and the substitution of barley for corn. If this barley were substituted for corn in the Chatham area it would lower the price of corn by \$5 per ton. The freight assistance subsidy lowers the price of grain in southwestern Ontario by the amount of the subsidy; there is no doubt about that.

Mr. NICHOLS: That is right.

Mr. THOMAS: Therefore the producer in southwestern Ontario, in all fairness, should have an offset to the impact of that subsidy.

Mr. NICHOLS: We agree. However, if we can get the first step it would be a big help. If Ontario grain were given the same freight assistance as western grain that would be the first step, and then if you wanted to go to the next step we would be very happy and I think it would be fair.

I think the committee is beginning to break up and I would like to thank you, Mr. Asselin, and the committee for the fine reception you have given us. Mr. MacKenzie and I hope that we have been able to give you answers to your questions, and we admit that some of them are very different from what we had anticipated. Nevertheless, we do appreciate this privilege of appearing before you, and if we can give you any additional information we will be very happy to do so.

We are looking forward to a 1965 crop without any problems.

The VICE CHAIRMAN: Thank you very very much, Mr. Nichols and Mr. MacKenzie.



HOUSE OF COMMONS
CANADA

REPORT
of the
STANDING COMMITTEE
ON
Agriculture and Colonization
of the
HOUSE OF COMMONS
on
Matters Relating To
RESEARCH IN THE PRODUCTION AND PROCESSING
OF
TOBACCO

Presented by
RUSSELL C. HONEY, Esq., *Chairman*

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AUGUST 12, 1964



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AUGUST 12, 1964

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1964

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AUGUST 12, 1964.

The Standing Committee on Agriculture and Colonization has the honour to present the following as its

THIRD REPORT

Your Committee, pursuant to its Order of Reference of May 6, 1964, submits its findings, observations and recommendations to the House of Commons in the annexed document.

A copy of the Committee's Minutes of Proceedings and Evidence (*Issues Nos. 1 to 7, inclusive*) is appended herewith.

Respectfully submitted,

RUSSELL C. HONEY,
Chairman.

CHAPTER I—GENERAL

Pursuant to an Order of Reference dated May 6th, 1964, the Standing Committee on Agriculture and Colonization had before it the following matter for consideration and report:

"That, in order to ensure the continuance of the vital part being played by the tobacco industry in the economy of this nation, the Standing Committee on Agriculture and Colonization be empowered to review the research and experimental facilities now provided to the production and processing of tobacco in this country and to recommend such measures as may be expedient to promote and assist in the production of Canadian tobacco."

Your Committee held nine meetings and heard evidence from:

- (a) Dr. J. A. Anderson, Director General of Research, Department of Agriculture, Ottawa;
- (b) Dr. Norman A. MacRae, Associate Director (Tobacco), Department of Agriculture, Ottawa;
- (c) Mr. L. S. Vickery, Superintendent, Tobacco Experimental Station, Delhi, Ontario;
- (d) The Ontario Flue Cured Tobacco Growers' Marketing Board, Tillsonburg, Ontario;
- (e) The Burley Tobacco Marketing Association of Ontario, Chatham, Ontario;
- (f) The Tobacco Cooperative Society of the District of Joliette, St. Jacques, Que.;
- (g) The Quebec Pipe and Cigar Tobacco Producers Board, St. Jacques, Que.;
- (h) The Agricultural Cooperative Society of the Yamaska Valley, St. Césaire, Que.;
- (i) The "Cooperative Fédérée de Quebec";
- (j) The Flue Cured Tobacco Producers Board, Lanoraie, Que.;
- (k) The Producers of Yellow Tobacco of the Province of Quebec, St. Thomas, Que.;
- (l) Mr. Austin J. Stanton, Assistant Director (Agriculture), Agriculture and Fisheries Branch, Department of Trade and Commerce, Ottawa.

Your Committee wishes to express its appreciation to all those who presented evidence and to its Clerk, Mr. D. E. Levesque and personnel of the Committee's Branch who have so greatly assisted the Committee in the performance of its duties.

In view therefore of the present status of, and having completed its inquiry pursuant to its Order of Reference, your Committee reports accordingly.

CHAPTER II—INTRODUCTION

The success of the tobacco industry in Canada depends on the export and domestic sales of the product which in turn must rely upon a concentrated and coordinated research program in the fields of (1) production (2) marketing (3) manufacturing and (4) health. Your Committee made detailed studies of the present research in the two fields first mentioned. We considered research in the manufacturing field to be chiefly the responsibility of the companies con-

cerned and therefore we did not deal in detail with this third area. Insofar as research in the field of health is concerned your Committee considered this to be substantially outside the Order of Reference and did not therefore deal with this last area at any length.

In recent years the margin of profit in the tobacco industry has narrowed despite the fact that production per acre has increased tremendously. Evidence presented to the Committee indicated that domestic and foreign markets have not been able to absorb the total production with the result that substantial stocks of tobacco have accumulated from time to time. Consequently the production of all types of tobacco grown in Canada is presently seriously curtailed.

1964 production of flue-cured tobacco (which constitutes 93% of the tobacco grown in Canada) has been restricted to 45% of the allocated basic acreage in Ontario. Quebec producers are also drastically curtailed. In 1963 Canada produced 180 million pounds of flue-cured tobacco whereas Canada could easily produce 300 million pounds per year.

In 1964 burley tobacco growers in Ontario have in production only 25% of this basic acreage. In 1960 because of accumulated burley tobacco stocks Ontario producers voluntarily decided to grow no burley tobacco that year. Canada's burley production has decreased approximately 20% to 73 million pounds in the 10 year period 1954 to 1963 as against 88 million in the previous 10 year period. Twenty years ago Ontario burley producers were operating 8,000 acres and they had the facilities with which to operate this acreage. To-day the burley growers are reduced to growing 4,000 acres. Insofar as soil and climatic conditions are concerned there is a vast potential for the increase of burley tobacco production in Canada.

The production of cigar tobacco in Canada is at present confined to the Province of Quebec. Annual production of cigar tobacco over the last five years has averaged 5,500,000 pounds, with an average market value of \$1,400,000. In the past two years purchases of cigar tobacco have fallen off so that there is now over 1,000,000 pounds of the 1962 and 1963 crops held in storage and unsold. The production of pipe tobacco in Quebec has shown an even more alarming picture as it has fallen from 3,000,000 pounds in 1943 to 350,000 pounds in 1963.

CHAPTER III—PRODUCTION RESEARCH

Research on production conducted in Canada has had the aim of improving the quality of Canadian leaf. Because of such research, and the cooperation of growers and buying companies, Canada has succeeded in producing tobacco leaf of good aroma, flavour, filling power, texture, color and workable characteristics that generally meets the requirements of both the export and domestic markets.

Your Committee congratulates the officials of the Canada Department of Agriculture and their staff for the achievements made in production research. At the same time we recognize that these gains could only have been accomplished with the cooperation of the growers and the buying companies. Gains made have been particularly significant in the flue-cured and burley leaf field as it is recognized that Canada produces a flue-cured or burley tobacco leaf comparable in quality to any in the world to-day.

While extending the congratulations the Committee hastens to point out that Canada could have done better in the field of production research had our scientists been given adequate facilities, both in finances and manpower, with which to work.

The Director General of Research, Department of Agriculture, advised your Committee that Canada is doing "something in order of less than one-twentieth of the work (in agricultural research) that is done in the United States". Your

Committee is of the opinion that Canada's allocation of funds for all agricultural research is very inadequate and that it is imperative that these funds be increased to a realistic amount, commensurate with Canada's position as an agricultural country.

In 1963 the federal government spent approximately \$375,000 for tobacco research. It was pointed out in evidence by the aforementioned Director General that, proportionately speaking, this was a fair allotment of the total overall allocation for research carried out by the Canada Department of Agriculture. However, in light of the following factors as presented in evidence, your Committee is of the opinion that an inadequate proportion of the allotment is being directed to research in the tobacco industry.

- (a) The tobacco plant is probably the most temperamental of all plants and it responds violently to changes of all environmental conditions. The very nature of the plant requires a higher degree of research than other crops, such as grain.
- (b) Canada cannot always benefit directly by tobacco research carried out in other countries and research carried out on tobacco in Canada is not a duplication of work done elsewhere. By and large research work done in other countries, while available to Canada, is often of limited assistance to us. Canadian research must be carried out under the environmental conditions which prevail in this country. In Canada we have not kept pace. Cultural practices used by the farmer such as fertilization, choice of varieties, irrigation, cultivation, suckering and curing greatly affect the chemical and physical properties, the flavour and aroma of the leaf.
- (c) The Provincial Departments of Agriculture, the Agricultural Colleges and Universities do not contribute directly to tobacco production research. This fact is peculiar to tobacco because in most other crops these institutions do assist with production research.
- (d) Canada's three main competitors on the world market—the U.S.A., Rhodesia and India have made rapid strides in expansion of their research facilities. Intensive research is now necessary to keep the Canadian grower abreast of the present ever-changing requirements of the consumers of the domestic and foreign tobacco manufacturers.
- (e) At the present time tobacco growers are faced with several critical problems which warrant special consideration, possibly by way of "crash" programs, in order that answers may be found before irreparable damage is done to the individual grower, or the industry as a whole. These problems include weather fleck, grey tobacco, sucker growth control, immunity to insecticides and development and testing of herbicides.
- (f) Because of the present high levels of yield per acre your Committee is of the opinion that it is not necessary to place special emphasis on increasing this yield. There does remain, however, a great scope for improvement in the quality of the leaf and Canada must have a research program which will keep us abreast or ahead of other tobacco producing countries.

CHAPTER IV—MARKETING RESEARCH

While Canada grows a high quality flue-cured and burley tobacco leaf we are doing so under conditions of curtailed production because we have not fully developed our export markets. The failure to expand foreign markets is the most serious problem facing the Canadian tobacco industry to-day.

Intensive research is necessary to keep the grower abreast of the present, ever-changing requirements of the domestic and foreign tobacco consumers and manufacturers. Market trends and consumer requirements must be followed carefully.

By and large the research program has anticipated the requirements of the domestic and foreign purchasers of flue-cured leaf but your Committee is concerned with the failure to appreciate market trends in both the burley and cigar tobacco fields.

Your Committee heard evidence to the effect that the rapid swing in consumer demand to a cigarette type burley in the last ten years has altered the burley growers' production schedule very drastically. In 1960 stocks of pipe and chewing tobaccos reached a point where the buying companies asked the burley producers not to grow any burley in that year. Overnight growers were aware of dramatic changes which had to be made in their production.

A new variety, new fertilization, handling and curing methods, all developed at the Harrow research station were adopted by the growers in 1961 to produce a cigarette type burley. In 1962 and 1963 growers continued to produce this excellent cigarette type burley but it was at that point too late as foreign buyers had turned to other sources of supply. When our salesmen tried to recapture these markets they found that something other than the quality of our tobacco was affecting sales. Our prices were too high! It appears growers were 10 years too late in changing production from a pipe and chewing type burley to a cigarette type. Your Committee is of the opinion that there should have been better marketing research facilities leading to the earlier introduction of the cigarette type burley to the consumer, and in keeping the grower abreast of changing requirements of the domestic and foreign consumer.

In the field of cigar and pipe tobaccos the alarming decline in production can probably be attributed to the fact that such tobaccos are generally considered to be "too strong". Until Canada's research program can develop a milder cigar and pipe tobacco as requested by the consumer, our tobaccos will not be able to compete with the milder tobaccos which are well established on the export market. Your Committee is pleased to note that one of the Departmental group research Committees is presently working on this problem and that this group research Committee is co-operating with the Quebec Department of Agriculture and the cooperatives at St. Jacques and St. Césaire.

The improvement in the quality of the leaf is only part of the overall requirement for the export market. It is evident to your Committee that Canada must create a favourable atmosphere for the encouragement of these markets. Related to this requirement is the necessity of producing tobacco at a price which is competitive on the world market, and being able to give the assurance to foreign buyers of a continuing supply of high grade tobacco leaf.

Your Committee has referred to the necessity of offering tobacco on the world market at a price which is competitive. The greatest factor in permitting the Canadian tobacco trade to make such offerings is the ability of the Canadian grower to cut his production costs drastically. Low acreage permits resulting in idle production capacity, high capital cost of production units, high labour costs (as compared to labour costs in some competing countries) and unchanged harvesting and curing practices are all factors in making Canadian tobacco a high cost product on the world market.

CHAPTER V—MANUFACTURING RESEARCH

This Committee did not hear direct evidence on the matter of research in the manufacturing of tobacco in Canada. Most of the research done in this area is carried out by companies who are interested in the end-use of tobacco. These

companies carry out a great deal of work on smoke analysis, the effectiveness of filter-tips, and, variations in the recipes of blends of different grades or types of tobacco.

The desire of the manufacturing companies to present a satisfactory and acceptable product to the public is obvious. Also apparent is the necessity that the research carried out by the companies be such as to satisfy the requirements of the smoking public, otherwise the financial success of the manufacturer could not be insured for any time.

CHAPTER VI—HEALTH RESEARCH

Your Committee heard evidence to the effect that, as yet no specific ingredient in tobacco has been positively identified as being harmful to health. Evidence received by the Committee indicates that if such an ingredient does in fact exist and can be isolated and identified it may be possible to remove the hazards to health through research.

\$300,000. has been set aside by the Canadian Tobacco industry for assistance in financing research into the cause or causes of lung cancer. Evidence was adduced to the Committee that only \$200,000 of this sum has been used. There is still \$100,000 available for this purpose. Your Committee heard evidence that there is currently no research being carried on in Canada in an attempt to ascertain if there is an ingredient in tobacco which is injurious to health.

Although this is outside the terms of reference of your Committee we think there is a duty on the part of the Federal Government to take a lead in this particular field of research. Witnesses before this Committee have indicated a desire on the part of the tobacco industry to co-operate in this study. We commend the industry for the responsible and realistic position it has taken on this matter.

CHAPTER VII—RECOMMENDATIONS

Having reviewed the evidence adduced before it your Committee accordingly finds and recommends:

1. Emphasis is placed on this first recommendation that the government should establish a program of tobacco marketing research. The Canada Department of Agriculture does not have such a program and we understand that this may not come strictly within the sphere of the responsibilities of that Department. The Department of Trade and Commerce works in co-operation with growers' boards, the trade companies and Provincial governments in an attempt to sell tobacco on the foreign market but has no program of market research. Your Committee is surprised to find that there is no Canadian program of market research in the tobacco industry. Production research to keep the Canadian tobacco grower abreast of the ever-changing requirements of the consumer is of little benefit if the requirements of such consumer from time to time are not ascertained and relayed to the production research scientist.

If an effective program of marketing research had been in effect ten years ago the present position of the burley and cigar tobacco industries in Canada to-day might have been vastly different. In this recommendation your Committee does not wish to trespass on the area of sales promotion which is outside the terms of our Order of Reference. Your Committee does wish to emphasize, however, as the most urgent recommendation in this Report, that steps be taken forthwith to establish an adequate program of market research for the Canadian tobacco industry, with particular emphasis being

placed on requirements of the export markets. Related to the subject of market research is that of production research. In other words we must ascertain what the buyer requires and then arrange to grow that type of tobacco. This is of particular importance in regard to our export sales. For example, the 1963 flue-cured tobacco crop did not contain sufficient top grades to fill the requirements of the export market. It should be emphasized that there is a potential for a substantial increase in the foreign markets for flue-cured tobacco if the Canadian producer can grow a substantially greater quantity of top grades.

2. The Funds allocated in Canada for tobacco production research are insufficient to permit the staff to perform the routine duties required to keep Canada's tobacco industry abreast of developments in competing countries. Testimony was received to the effect that compared to other tobacco producing countries our research program, in respect to the amount of money allocated and the number of employees, is rather modest and that funds provided for the tobacco production research program in Canada are inadequate. Your Committee recommends a review and upward revision of the funds allocated for tobacco production research, and suggests that immediate emphasis should be given to the following:
 - (a) The development of an intensified program of research in an effort to achieve more mechanized production methods, with specific reference to curing and harvesting procedures, in an effort to lower the high cost of production of Canadian tobacco.
 - (b) More direct research to find a milder cigar tobacco for production in Canada.
 - (c) Research should be instituted in an attempt to increase the use of Canadian grown pipe tobacco. It is recognized that in recent years imported pipe tobaccos have gained greatly in popularity. An attempt should be made to develop Canadian varieties which will be equally acceptable to the pipe-smoking public. In particular research should be undertaken into the matter of chemical additives to pipe tobacco which makes for a very pleasant and aromatic smoke.
 - (d) The institution of "Crash" programs in an attempt to conquer the problems of weather fleck, grey tobacco, sucker growth control (chemical inhibitors), immunity to insecticides and to facilitate the development and testing of new herbicides.
Your Committee is satisfied by the evidence presented that research in the above-mentioned area is hampered by lack of funds and personnel.
3. Your Committee is impressed with the evidence with respect to the establishment of group research committees. These are working committees which have dealt with or are presently dealing with such matters as curing and the use of forced warm air heating, the problems relating to weather fleck and with respect to an attempt to provide cigar manufacturers with a milder cigar leaf filler. The latter is still an active committee composed of departmental representatives, the Quebec Department of Agriculture and the Co-operatives at St. Jacques and St. Césaire. Your Committee is of the opinion that the function of such Committees could be extended and made more effective if they were responsible to a Research Advisory Committee composed of representatives from the Canada

Department of Agriculture, relevant Provincial Departments of Agriculture and representatives of growers and processors. It would be the duty of the proposed Research Advisory Committee to recommend the establishment of such group research committees, to receive reports from them from time to time, to report annually to the Minister of Agriculture and, generally, to direct and co-ordinate all research in the tobacco industry in the fields of production, manufacturing and marketing. Your Committee recommends the establishment of such a Research Advisory Committee.

4. Your Committee is interested in the evidence given with reference to the considerable assistance provided for the research program from time to time by the Imperial Tobacco Company of Canada, and commends that company for its initiative and co-operation. The Committee is also interested in evidence that in Rhodesia the growers themselves contribute to the cost of a very extensive research program.

Your Committee recommends that the Canada Department of Agriculture encourage co-operation with the growers and all the companies in the field of research. Having in mind the position of the tobacco growers at the present time who must contend with low acreages, high cost of production and limited export markets we do not recommend financial contributions by the growers to a joint program at this time. Your Committee is of the opinion that it is the responsibility of the government to provide an adequate research program at all times. We recommend consideration be given by the growers and all companies to a joint research program which would have the objective of developing further research over and above the adequate research which your Committee has stated to be the responsibility of the government. Your Committee suggests that such a joint program could be developed and co-ordinated by the Research Advisory Board hereinbefore referred to.

5. Your Committee recommends the expenditure of an amount sufficient to enlarge and improve the Tobacco Experimental Station at Delhi, Ontario, so that it can completely fulfill its function as the chief experimental station for the flue-cured tobacco industry. The Committee received evidence that the accommodations at Delhi are somewhat cramped and increased facilities are required.

Your Committee does not recommend as to the extent of the enlargement of facilities but does find the great weight of evidence to indicate that the government should give consideration to such enlargement and your Committee so recommends.

6. Your Committee recommends that the program of research at l'Assomption, Quebec, Experimental Farm should place special emphasis on research in the matter of cigar and pipe tobaccos. The Committee was informed that there are vacancies in the staff at this station, and we recommend that the government should, at once, review the personnel requirements and facilities with a view to placing it on a completely effective operational basis.
7. Your Committee recommends a thorough review of the facilities for research in burley tobacco production at the Harrow, Ontario, Experimental Farm. Evidence heard by the Committee indicates that repeated requests have been made for the addition of a laboratory in which to conduct certain tests relative to chlorine content and nicotine content of the burley leaf.

In view of the fact that research in the burley tobacco industry is centered at Harrow, Ontario, your Committee is of the opinion that all necessary and adequate facilities therefore should be available at that station and recommends accordingly.

Respectfully submitted.

RUSSELL C. HONEY,
Chairman.

5. Le Comité propose l'affectation d'un montant suffisant à l'agrandissement et à l'amélioration de la station expérimentale de Delhi, Ontario; elle pourrait, de la sorte, remplir pleinement son rôle de station principale d'expérimentation sur le tabac jaune. Selon les preuves apportées au Comité, on manque passablement d'espace à Delhi et il faudrait de plus vastes installations.

Le Comité ne fait aucune recommandation touchant l'importance de l'extension des installations; mais, à son avis, la preuve indique que le gouvernement devrait envisager l'agrandissement en cause et l'exhorte à agir en conséquence.

6. Le Comité recommande que les tabacs à pipe et à cigares fassent l'objet d'une attention spéciale dans le programme de recherches de la ferme expérimentale de l'Assomption, Québec. Ayant appris que le personnel de la station n'est pas complet, le Comité recommande au gouvernement de faire immédiatement une étude portant sur les besoins en personnel et les installations pour que l'établissement soit en mesure de fonctionner d'une manière tout à fait efficace.

7. Le Comité propose une révision complète des installations de recherches relativement à la production du tabac burley, à la ferme expérimentale d'Harrow, Ontario. D'après les témoignages entendus au Comité, le rajout d'un laboratoire devant servir à certains essais relatifs à la teneur en chlore et en nicotine du tabac burley a fait l'objet de demandes répétées. Vu que les recherches relatives à l'industrie du tabac burley se concentrent à Harrow, le Comité est d'avis que cette station devrait disposer de toutes les installations dont elle peut avoir besoin et fait une recommandation en conséquence.

Respectueusement soumis,

Le président,
 RUSSELL C. HONEY.

- tabacs à pipe importés sont devenus très en vogue. On devrait voir à produire des variétés canadiennes pouvant plaire tout autant aux fumeurs. Il faudrait surtout entreprendre des recherches sur les produits chimiques qui, ajoutés au tabac à pipe, produisent une fumée très agréable et aromatique.
- d) L'établissement de programmes d'extrême urgence dans un effort pour résoudre les problèmes que posent les mouchettes causées par les intempéries, le tabac gris, la répression des rejets (éléments chimiques d'inhibition), l'immunité contre les insecticides et en vue de faciliter la perfectionnement et l'essai de nouveaux herbicides. Les témoignages ont convaincu le Comité que le manque de fonds et de personnel entrave les recherches dans les domaines susmentionnés.
3. Le Comité est tiré par les témoignages concernant l'établissement des comités de recherches en groupe. Ce sont des comités de travail qui se sont occupés ou qui s'occupent présentement des questions de séchage et de l'utilisation de l'air chaud à circulation forcée, des problèmes du mouchetage causé par les intempéries, et s'appliquent à fournir aux fabricants de cigares des tripes plus douces. Ce dernier comité, toujours actif, se compose de représentants du ministère de l'Agriculture du Québec et des coopératives de Saint-Jacques et de Saint-Césaire. Le Comité croit que la fonction des organismes en question pourrait être accrue et rendue plus efficace, s'ils relevaient d'une Commission consultative de recherches composée de représentants du ministère de l'Agriculture, des ministères provinciaux de l'Agriculture concernés ainsi que des producteurs et des fabricants. Cette Commission consultative de recherches aurait comme attributions de recommander la formation de comités de recherches en groupe, d'en recevoir des rapports de temps à autre et de présenter annuellement un rapport au ministre de l'Agriculture. Elle aurait également, en général, à diriger et à coordonner toutes les recherches entreprises par l'industrie du tabac dans les domaines de la production, de la fabrication et de la mise en vente. Le Comité recommande l'établissement d'une telle Commission consultative de recherches.
4. Le Comité note avec intérêt l'aide considérable apportée, de temps à autre, au programme des recherches par l'*Imperial Tobacco Company of Canada* et joue cette compagnie pour son initiative et sa collaboration. Le Comité note également qu'en Rhodésie les producteurs eux-mêmes apportent leur quote-part pour défrayer le coût d'un vaste programme de recherches. Le Comité recommande que le ministère de l'Agriculture du Canada encourage la coopération avec les producteurs ainsi qu'avec toutes les compagnies dans le domaine des recherches. Etant donné la situation présente des producteurs de tabac, qui doivent se contenter de cultiver de faibles superficies, faire face au coût élevé de la production et à des marchés d'exportation restreints, nous ne recommandons pas, pour le moment, la participation financière des producteurs à un programme conjoint. D'après le Comité, il revient à l'État d'exécuter en tout temps un programme efficace de recherches. Les producteurs et toutes les sociétés songent à établir un programme commun de recherches dont la portée dépasserait les recherches qui, de l'avis du Comité, doivent relever de l'État. Le Comité est d'avis que la Commission consultative de recherches ci-devant mentionnée pourrait dresser et coordonner un tel programme commun.

c) Des recherches en vue d'augmenter l'utilisation du tabac à pipe cultivé au Canada. On sait qu'en ces dernières années les plus doux à produire au Canada.

b) Des recherches spéciales en vue de découvrir un tabac à cigares canadien.

a) L'établissement d'un programme intensifié de recherches en vue d'en arriver à des méthodes de production plus mécanisées, portant particulièrement sur les procédés de séchage et de cueillette afin de diminuer le coût élevé de la production du tabac canadien.

2. Les fonds affectés au Canada à l'étude de la production sont insuffisants; ils ne permettent pas au personnel de s'acquitter des tâches ordinairement requises pour que l'industrie canadienne du tabac suive les progrès des pays concurrents. Des témoignages ont établi que, comparativement à d'autres pays producteurs de tabac, notre programme de recherches, sous le rapport du montant d'argent alloué et du nombre d'employés, est plutôt modeste et que les fonds prévus pour un tel programme au Canada ne sont pas suffisants. Le Comité recommande de vérifier et d'augmenter les fonds affectés aux recherches sur la production. Il propose d'attribuer plus d'importance aux sujets suivants:

plus fortes.

valent produire les qualités supérieures en des quantités beaucoup pourait augmenter sensiblement, si les producteurs canadiens pou- Ligner que la demande de tabac jaune sur les marchés étrangers répondre aux besoins du marché d'exportation. Il y a lieu de sou- contenait pas suffisamment de tabac des qualités supérieures pour ventes d'exportation. Ainsi la récolte de tabac jaune de 1963 ne demandée. Cela est particulièrement important à l'endroit de nos besoins de l'acheteur et voir ensuite à produire le genre de tabac la production. En d'autres termes, nous devons nous assurer des d'exportation. A l'étude du marché rattachons les recherches sur tabac, en insistant tout particulièrement sur les besoins des marchés faisant de recherches sur le marché de l'industrie canadienne du soient immédiatement prises en vue d'établir un programme satis- Le présent rapport la recommandation portant que des dispositions Comité tient à souligner, cependant, comme la plus urgente dans de la stimulation des ventes, lequel est hors de ses attributions. Le recommandation Le Comité ne veut pas empiéter sur le domaine Canada serait peut-être aujourd'hui toute différente. Dans cette situation des industries du tabac burley et du tabac à cigares au mise sur le marché avait été mis à exécution dix ans passés, la sont pas portées à la connaissance des chercheurs scientifiques en font pas de temps à autre l'objet d'une vérification et si elles ne du consommateur ne sont guère profitables, si ces exigences ne dans le domaine de la production en vue de permettre au producteur canadienne du tabac n'en ait pas établi. Les recherches entreprises programme d'étude du marché. Le Comité s'estonne que l'industrie de vendre le tabac sur le marché étranger, mais il n'a prévu aucun commerciales et les gouvernements provinciaux en vue d'essayer collaboration avec les commissions ou offices de producteurs, les sociétés dans ses attributions. Le ministère du Commerce travaille en col- prendre qu'une telle initiative ne rentre peut-être pas strictement du Canada n'a pas de programme de ce genre et nous croyons com-

Après l'examen des témoignages, le Comité estime et recommande donc :
1. Que le gouvernement établisse instantanément un programme de recherches sur le marché du tabac. Le ministère de l'Agriculture

CHAPITRE VII—RECOMMANDATIONS

Encore que ce ne soit pas partie du mandat du Comité, nous croyons qu'il est du devoir du gouvernement fédéral de donner l'exemple dans ce domaine particulier de la recherche. Les témoins entendus par le Comité ont indiqué que l'industrie du tabac désirait coopérer dans cette étude. Nous félicitons l'industrie pour son attitude réaliste et responsable en cette affaire.

L'industrie canadienne du tabac a mis la somme de \$300,000 à la disposition de la recherche de la cause ou des causes du cancer du poulmon. Il a été établi devant le Comité que seulement \$200,000 de cette somme ont été dépensés. Il reste donc une somme de \$100,000 dollars disponible à cette fin. On a déclaré devant le Comité qu'à l'heure actuelle il ne se fait pas au Canada de recherches pour tenter d'établir s'il y a dans le tabac un ingrédient qui soit dommageable à la santé.

Le Comité a entendu des témoignages portant que jusqu'ici aucun ingrédient du tabac n'a été identifié comme dommageable à la santé. Les témoignages entendus par le Comité indiquent que si un tel ingrédient existe réellement et peut être isolé et identifié, il sera possible de faire disparaître par la recherche les dangers qu'il fait courir à la santé.

CHAPITRE VI—RECHERCHES RELATIVES À LA SANTÉ

Le Comité n'a pas entendu de témoignages portant directement sur les recherches à l'échelon de la fabrication du tabac au Canada. Les sociétés qui s'intéressent au produit définitif du tabac effectuent la majeure partie des recherches dans ce domaine. Ces sociétés font beaucoup de travail relatif à l'analyse de la fumée, à l'efficacité des filtres et aux variations des recettes pour le mélange de différentes qualités et de différentes espèces de tabac.

Il est évident que les sociétés manufacturières désirent présenter au public un produit satisfaisant et acceptable. Il est aussi évident que les sociétés doivent effectuer suffisamment de recherches pour satisfaire aux exigences des fumeurs, autrement le succès financier du fabricant ne serait jamais assuré.

CHAPITRE V—RECHERCHES SUR LA FABRICATION

Le Comité a parlé de la nécessité d'offrir sur le marché mondial un tabac canadienne du tabac d'y arriver, il faut,—et c'est le facteur le plus important,—que le producteur canadien puisse réduire sensiblement ses frais de production. La capacité de production inutilisée qui résulte des restrictions imposées à l'égard des superficies cultivées, les frais élevés d'établissement des éléments de production, le coût élevé de la main-d'œuvre (par comparaison à certains pays concurrents) et d'anciennes méthodes de récolte et de séchage sont tous des facteurs qui font du tabac canadien un produit coûteux sur le marché mondial.

Une qualité meilleure de tabac en feuilles ne représente dans l'ensemble qu'une partie des exigences des marchés d'exportation. Selon le Comité, il est clair que l'on doit créer au Canada des conditions propres à favoriser ces marchés. Pour satisfaire à ces exigences, il faut produire du tabac à un prix qui puisse affronter la concurrence sur le marché mondial et être capable d'assurer aux acheteurs étrangers un approvisionnement constant de tabac en feuilles de qualité supérieure.

Quant à la production de tabac à pipe et de tabac à cigares, la diminution inquiétante est probablement attribuable au fait que l'on trouve, en général, ces tabacs « trop forts ». Nos tabacs ne pourront affronter la concurrence des tabacs plus doux qui sont bien établis sur les marchés d'exportation avant que l'on ait réussi, dans le cadre du programme canadien de recherches, à mettre au point le type de tabac à cigares et à pipe plus doux que demande le consommateur. Le Comité est heureux de constater que l'une des commissions ministérielles de recherches collectives travaille présentement à régler le problème en collaboration avec le ministère de l'Agriculture du Québec et les coopératives de Saint-Jacques et de Saint-Césaire.

Une nouvelle variété de tabac et de nouvelles méthodes de fertilisation, de manutention et de séchage, mises au point à la station de recherches d'Harrow, ont permis aux producteurs qui les ont adoptées en 1961 d'obtenir un tabac à cigares de type burley. Ils ont continué à cultiver cet excellent tabac en 1962 et 1963, mais il était trop tard puisque les acheteurs étrangers avaient trouvé de nouvelles sources d'approvisionnement. Lorsque nos vendeurs ont tenté de reprendre les marchés en question, ils ont constaté qu'il fallait attribuer le changement du chiffre de ventes à autre chose que la qualité de notre tabac: Nos prix étaient trop élevés. Il semble que les producteurs aient commencé dix ans en retard à produire le tabac à cigares de type burley plutôt que le tabac à pipe ou à chiquer. Le Comité est d'avis que l'on aurait dû disposer de meilleurs moyens d'étudier les marchés en vue de pouvoir offrir plus vite au consommateur le tabac à cigares de type burley et de tenir le producteur au courant des exigences changeantes du consommateur, au Canada et à l'étranger.

Selon les témoignages présentés au Comité, il appert, que, depuis dix ans, le programme de production de tabac burley a été sensiblement modifié par suite des nouvelles exigences des consommateurs qui se sont adonnées rapidement au tabac à cigares de type burley. En 1960, les stocks de tabac à pipe et de tabac à chiquer avaient atteint un tel point que les sociétés d'acheteurs ont demandé aux producteurs de burley de ne pas en cultiver cette année-là. Du jour au lendemain, les producteurs se sont rendu compte qu'il leur fallait modifier de façon sensible leur programme de production.

Généralement parlant, le programme d'étude des marchés laissait entrevoir les besoins des acheteurs de tabac jaune sur les marchés intérieur et extérieur et le Comité s'inquiète que l'on n'ait pas tenu compte des tendances du marché en ce qui a trait au tabac burley et au tabac à cigares.

À l'heure actuelle, les consommateurs et les fabricants de tabac, au Canada et à l'étranger, ont des exigences qui varient constamment et dont il faut tenir les producteurs au courant par des travaux de recherches intensives. Il importe de suivre attentivement les tendances du marché et les exigences du consommateur.

Même si le Canada produit du tabac jaune et du tabac burley de qualité supérieure, la production a baissé parce que nous n'avons pas donné toute l'expansion voulue à nos marchés d'exportation. C'est ce qui constitue présentement le plus grave problème de l'industrie canadienne du tabac.

CHAPITRE IV—RECHERCHES SUR LA COMMERCIALISATION

f) À cause du niveau actuel élevé du rendement par acre, le Comité est d'avis qu'il n'est pas nécessaire d'accorder beaucoup d'importance à l'accroissement du rendement. Cependant, il y a lieu d'améliorer grandement la qualité de la feuille et le Canada se doit d'instituer un programme de recherches qui nous tiendra sur le même pied ou en avant des autres pays producteurs de tabac.

Tout en exprimant ces félicitations, le Comité se hâte de signaler que le Canada aurait pu faire mieux dans le domaine des recherches sur la production, si nos travailleurs scientifiques avaient eu à leur disposition assez d'argent et de main-d'œuvre pour exécuter le travail.

Le directeur général des recherches au ministère de l'Agriculture a appris au Comité que le Canada accomplit « à peu près moins d'un vingtième du travail (en recherches agricoles) qui se fait aux États-Unis ». Le Comité est d'avis que les fonds affectés par le Canada à toutes les recherches agricoles sont très insuffisants, qu'il est impérieux que ces fonds soient accrus de manière à tenir compte de la réalité et que le montant en soit proportionné à la position du Canada comme pays agricole.

En 1963, le gouvernement fédéral a dépensé approximativement \$375,000 pour les recherches sur le tabac. Le directeur général a déclaré dans son témoignage que, toute proportion gardée, cette attribution de fonds était une juste part du montant affecté aux recherches qu'a faites le ministère de l'Agriculture du Canada. Cependant, à cause des facteurs suivants mentionnés au cours des témoignages, le Comité est d'avis qu'une proportion insuffisante de l'affectation est consacrée aux recherches dans l'industrie du tabac.

a) Le tabac est probablement la plus capricieuse de toutes les plantes et elle répond violemment aux changements de toutes les conditions environnementales. La nature même de la plante exige un degré de recherches supérieur à celui des autres récoltes, comme les céréales.

b) Le Canada ne peut pas toujours bénéficier directement des recherches sur le tabac effectuées dans les autres pays et les recherches faites sur le tabac au Canada ne sont pas une répétition de celles qui s'accomplissent ailleurs. De façon générale, les travaux de recherches de toutes sortes effectués dans d'autres pays, bien qu'ils soient mis à la disposition du Canada, ne sont souvent que d'une utilité limitée pour nous. Les recherches canadiennes doivent être exécutées dans les conditions de milieu qui existent dans notre pays. Au Canada, nous n'avons pas avancé assez vite. Les méthodes culturales du cultivateur comme l'utilisation d'engrais, le choix des variétés, l'irrigation, le sarclage, l'enlèvement des rejetons et le séchage influent beaucoup sur les propriétés chimiques et physiques, la saveur et l'arôme de la feuille.

c) Les ministères provinciaux de l'Agriculture, les collèges d'agriculture et les universités ne contribuent pas directement aux recherches sur la production du tabac. Ce fait est particulier au tabac parce qu'en ce qui concerne la plupart des autres cultures ces institutions prêtent leur concours aux recherches sur la production.

d) Les trois principaux concurrents du Canada sur le marché mondial (les États-Unis, la Rhodésie et l'Inde) ont fait des progrès rapides dans l'expansion des moyens de recherches. Il faut maintenant des recherches intensives afin que le producteur canadien puisse répondre aux exigences toujours nouvelles des consommateurs et des fabricants domestiques ou étrangers de tabac.

e) À l'heure actuelle, les producteurs de tabac ont à faire face à plusieurs problèmes critiques qui justifient une étude spéciale, peut-être au moyen de programmes-éclairés, afin que les réponses puissent être trouvées avant qu'un dommage irréparable soit causé au producteur individuel ou à l'ensemble de l'industrie. Ces problèmes comprennent la moucheture causée par les intempéries, le tabac gris, la répression de la croissance des rejetons, l'immunité contre les insecticides et la création et l'essai des herbicides.

premiers domaines susmentionnés. Par contre, nous avons pensé que les recherches concernant la fabrication incombaient surtout aux compagnies de tabac et, pour cette raison, nous n'avons pas approfondi ce troisième domaine. Quant aux recherches concernant la santé, le Comité a estimé que cette question sort largement du cadre de ses attributions et il ne l'a pas longuement examinée.

Ces dernières années, la marge de bénéfice de l'industrie du tabac a diminué, bien que la production de tabac par acre ait considérablement augmenté. Des témoignages présentés au Comité démontrent que les marchés intérieurs et étrangers n'ont pu absorber toute la production et que, de temps à autre, il en est résulté une vaste accumulation de stocks de tabac. Par conséquent, la production de toutes les variétés de tabac cultivées au Canada a sérieusement baissé.

En 1964, la production de tabac jaune (qui représente 93 p. 100 du tabac cultivé au Canada) s'est limitée à 45 p. 100 de la superficie qu'on lui avait allouée à l'origine. Les producteurs du Québec ont également dû adopter de rigoureuses mesures restrictives. En 1963, le Canada a produit 180 millions de livres de tabac jaune, bien que sa production puisse facilement atteindre 300 millions de livres par an.

En 1964, les planteurs ontariens de tabac burley exploitent seulement 25 p. 100 de leur superficie de base, et, en 1960, vu l'accumulation des réserves de tabac burley en Ontario, les producteurs ont volontairement pris la décision de suspendre la culture de cette variété pendant un an. La production de tabac burley au Canada a diminué d'environ 20 p. 100, tombant à 73 millions de livres de 1954 à 1963, alors que cette production se chiffrait à 88 millions pendant la décennie précédente. Il y a 20 ans, les producteurs de tabac burley cultivaient 8,000 acres et ils possédaient le matériel nécessaire pour l'exploitation d'une telle superficie. À l'heure actuelle, les planteurs de tabac burley doivent se limiter à cultiver 4,000 acres. Le sol et les conditions climatiques du Canada offrent pourtant de vastes possibilités d'accroissement de la culture du tabac burley.

Actuellement, la province de Québec assure à elle seule toute la production de tabac canadien à cigares. La production annuelle de cette variété a atteint au cours des trois dernières années une moyenne de 5,500,000 livres, ayant une valeur marchande moyenne de \$1,400,000. Ces deux dernières années, les achats de tabac à cigares ont baissé et, ainsi, il reste actuellement une réserve invendue de plus d'un million de livres provenant des récoltes de 1962 et de 1963. La production du tabac à pipe au Québec est encore plus alarmante; en effet, de 3,000,000 de livres en 1943, elle est tombée à 350,000 livres en 1963.

CHAPITRE III—RECHERCHES SUR LA PRODUCTION

Les recherches sur la production faites au Canada ont eu pour objet d'améliorer la qualité de la feuille de tabac. Grâce à ces recherches et à la collaboration des producteurs et des compagnies acheteuses, le Canada a réussi à produire une bonne feuille de tabac en ce qui concerne l'arôme, la saveur, la capacité de remplissage, la texture, la couleur et la maniabilité, qui répond généralement aux besoins des marchés extérieurs et intérieurs. Le Comité félicite les hauts fonctionnaires du ministère de l'Agriculture du Canada et leur personnel de leurs réalisations dans les recherches sur la production. Il reconnaît, en outre, que ces gains ne pouvaient pas être accomplis sans la collaboration des producteurs et des compagnies acheteuses. Les gains ont été particulièrement importants en ce qui concerne la feuille de tabac jaune et un tabac burley comparables en qualité à tout ce que le monde produit aujourd'hui.

CHAPITRE I—GÉNÉRAL

Conformément à l'ordre de renvoi du 6 mai 1964, le Comité permanent de l'agriculture et de la colonisation devait étudier la question suivante et en faire rapport:

«Qu'au sein que l'industrie du tabac continue à remplir son rôle essentiel dans l'économie de notre pays, le Comité permanent de l'agriculture et de la colonisation soit autorisé à étudier les possibilités actuelles de recherches et d'expérimentation, en ce qui concerne la production et le traitement du tabac, dans notre pays, et à recommander les moyens qu'il juge à propos en vue d'encourager et d'aider la production du tabac canadien.»

La Comité a tenu neuf réunions et a entendu les témoignages des personnes et associations suivantes:

a) M. J. A. Anderson, directeur général des recherches, ministère de l'Agriculture, Ottawa;

b) M. Norman A. MacRae, directeur associé (tabac), ministère de l'Agriculture, Ottawa;

c) M. L. S. Vickery, surintendant, station expérimentale du tabac, Delhi (Ont.);

d) *The Ontario Flue Cured Tobacco Growers' Marketing Board*, Tillsonburg (Ont.);

e) *The Burley Tobacco Marketing Association of Ontario*, Chatham (Ont.);

f) La Coopérative du tabac du district de Joliette, Saint-Jacques (Qué.);

g) La Commission des producteurs de tabac à pipe et à cigares de Québec, Saint-Jacques (Qué.);

h) La Coopérative agricole de la vallée d'Yamaska, Saint-Césaire (Qué.);

i) La Coopérative Fédérée de Québec;

j) La Commission des producteurs de tabac jaune, Lanoraie (Qué.);

k) Les Producteurs de tabac jaune de la province de Québec, Saint-Thomas (Qué.);

l) M. Austin J. Stanton, directeur adjoint (agriculture), Direction de l'Agriculture et des pêches, ministère du Commerce, Ottawa.

Le Comité tient à remercier tous ceux qui ont rendu témoignage ainsi que le secrétaire, M. D. E. Levesque, et le personnel du Service des comités de l'avoir si bien aidé dans l'accomplissement de sa tâche.

Ayant terminé l'étude recommandée dans l'ordre de renvoi, le Comité fait maintenant rapport de ses constatations.

CHAPITRE II—INTRODUCTION

Le succès de l'industrie canadienne du tabac dépend des exportations et des ventes au pays d'un produit qui, à son tour, doit tabler sur les résultats d'un programme de recherches précis et coordonné dans les domaines (1) de la production, (2) de la commercialisation, (3) de la fabrication et (4) de la santé. Le Comité a étudié tout ce qui relève des recherches dans les deux

RUSSELL C. HONEY.

Le Président,

Respectueusement soumis,

Un exemplaire des Procès-verbaux et Témoignages du Comité (Fascicules n° 1 à 7 inclusivement) est annexé au présent rapport.

Conformément à son Ordre de renvoi du 6 mai 1964, votre Comité présente à la Chambre des communes, dans le document ci-annexé, ses conclusions, observations et recommandations.

TROISIÈME RAPPORT

Le Comité permanent de l'agriculture et de la colonisation a l'honneur de présenter son

12 AOÛT 1964

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ROGER DUHAMEL, M.S.R.C.
IMPRIMEUR DE LA REINE ET CONTRÔLEUR DE LA PAPERIE
OTTAWA, 1964

CHAMBRE DES COMMUNES
CANADA



RAPPORT

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LE 12 AOÛT 1964

17
HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964-1965

STANDING COMMITTEE

ON

Agriculture and Colonization

Chairman: RUSSELL C. HONEY, *Esq.*

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 16

Respecting

PRICES OF FEED GRAINS

THURSDAY, DECEMBER 17, 1964

THURSDAY, FEBRUARY 18, 1965

WITNESS:

From the Canadian Federation of Agriculture: Mr. David Kirk, Secretary.

ROGER DUHAMEL, F.R.S.C.

QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1965

STANDING COMMITTEE
ON
AGRICULTURE AND COLONIZATION

Chairman: Russell C. Honey, Esq.

Vice Chairman: Patrick T. Asselin, Esq.

and Messrs.

Alkenbrack,	Gendron,	Muir (<i>Lisgar</i>),
Armstrong,	Groos,	Mullally,
Béchar, d,	Gundlock,	Nasserden,
Beer,	Horner (<i>Acadia</i>),	Noble,
Berger,	Howe (<i>Wellington-</i>	O'Keefe,
Brown,	<i>Huron</i>),	Olson,
Cardiff,	Jorgenson,	Peters,
Choquette,	Kelly,	Rochon,
Cooper,	Kennedy,	Roxburgh,
Crossman,	Konantz (Mrs.),	Saltsman,
Cyr,	Korchinski,	Tardif,
Danforth,	Langlois,	Temple,
Dionne,	Laverdière,	Thomas,
Doucett,	Lessard (<i>Lac-Saint-</i>	Vincent,
Drouin,	<i>Jean</i>),	Watson (<i>Assiniboia</i>),
Émard,	Loney,	Watson (<i>Châteauguay-</i>
Éthier,	Madill,	<i>Huntingdon-</i>
Forbes,	Mather,	<i>Laprairie</i>),
Forest,	Matte,	Webb,
Forgie,	McBain,	Whelan—60.
Gauthier,	McIntosh,	

(Quorum 20)

D. E. Levesque,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

THURSDAY, December 17, 1964

(19)

The Standing Committee on Agriculture and Colonization met this day, *In Camera*, at 10:20 o'clock a.m. The Chairman, Mr. Russell C. Honey, presided.

Members present: Mrs. Konantz and Messrs. Asselin (*Richmond-Wolfe*), Beer, Cardiff, Crossman, Danforth, Doucett, Forbes, Gross, Honey, Jorgenson, Loney, Madill, McBain, Mullally, O'Keefe, Saltsman, Thomas, Watson (*Assiniboia*), Webb and Whelan (21).

Mr. Asselin moved, seconded by Mr. Whelan,

Agreed,—That reasonable living and travelling expenses, as well as per diem allowance be paid in connection with the appearance before the Standing Committee on Agriculture and Colonization of Messrs. William A. Flemming, Harold H. Lasher and Cyrice Godbout.

At 11:55 o'clock the Chairman adjourned the Committee to the call of the Chair.

THURSDAY, February 18, 1965

(20)

The Standing Committee on Agriculture and Colonization met this day at 10:15 o'clock a.m. The Chairman, Mr. Russell C. Honey, presided.

Members present: Mrs. Konantz and Messrs. Alkenbrack, Asselin (*Richmond-Wolfe*), Beer, Berger, Brown, Cardiff, Choquette, Danforth, Dionne, Doucett, Forbes, Forest, Forgie, Gauthier, Gendron, Honey, Howe (*Wellington-Huron*), Jorgenson, Korchinski, Madill, McBain, McIntosh, Mullally, Nasserden, Noble, O'Keefe, Olson, Roxburgh, Saltsman, Thomas, Vincent, Watson (*Assiniboia*), Webb, Whelan (35).

Witness: From the Canadian Federation of Agriculture: Mr. David Kirk, Secretary.

The Chairman introduced the witness and Mr. Kirk read his brief. The Committee proceeded to the questioning of the witness.

It was *agreed* that the brief of the Canadian Federation of Agriculture be appended to the evidence (*See Appendix 1*).

The examination of the witness being concluded, the Chairman thanked Mr. Kirk.

At 11:30 o'clock a.m., the Committee adjourned to the call of the Chair.

D. E. Levesque,
Clerk of the Committee.

EVIDENCE

THURSDAY, February 18, 1965.

The CHAIRMAN: Mrs. Konantz and gentlemen, we have a quorum and we will proceed.

Members of the committee will recall that at the last meeting it was decided that we had heard all the evidence the committee would hear and that we would proceed to the drafting of the report. Subsequent to that, however, as you know, the Canadian Federation of Agriculture at their annual meeting in Regina somewhat changed the policy of the federation on the matter of eastern feed grains. Your steering committee felt it was advisable that before the draft report was finalized for submission to this committee we should hear from the Canadian Federation of Agriculture with respect to this modification or change in policy.

Mr. David Kirk, whom you all know, has been kind enough to appear before the committee this morning. We are very pleased to have Mr. Kirk here. We would like to hear from him on the point of the changes in the federation policy because this will be very significant, I think, in the preparation of our final report.

Mr. Kirk has been good enough to prepare a statement for the committee this morning, and with the leave of the committee I think the best course to adopt would be to ask Mr. Kirk to read the statement, and then we will proceed to ask him questions relevant to the statement. I think we would want to confine the proceedings this morning as much as we can to the federation policy on eastern feed grains.

Before I call on Mr. Kirk, is it the wish of the committee that the statement be included in the committee proceedings of today's hearings?

Agreed.

MR. DAVID KIRK (*Secretary, Canadian Federation of Agriculture*): Thank you very much Mr. Chairman and members of the committee.

This brief statement is being made supplementary to the submission which was made to the committee on the same subject in December of 1963 in order to report and explain some changes in the Canadian Federation of Agriculture's policy position.

Attached to this statement for reference are, first, the resolution passed by our recent annual meeting of delegates in Regina, concerning the feed grains question; secondly, an excerpt from our December 1963 submission to this committee in which the essentials of our feed grain agency proposal were set out.

There is only one essential difference between the two policy positions. This is, that we are now recommending that the proposed agency have the power to buy, sell and store feed grains, and in connection with the storage aspect, it is recommended specifically that the agency accept a responsibility, as may be required, to place feed grains in storage to ensure their availability in sufficient quantities and at appropriate locations.

It will be recalled that one of the essential functions of our agency proposal has always been that it should "study and advise on all aspects of feed grain policy". It was always therefore in the realm of possibility that with experience the agency might have concluded that marketing powers were needed, and have recommended amendment of the legislation to provide them.

The federation has now concluded, however, that there is sufficient possibility that intervention by the agency in the feed grains market may be desirable.

The reason why we have concluded it may be desirable, is that these powers of the board may be required to ensure price stability, elimination of speculative or excessive margins between what the grain is sold for by the wheat board and the price paid by the farmer using the grain, and adequacy of supplies.

It should be noted that there is no change in our firm recognition that there should be no interference with the responsibility in the wheat board to market grain in an orderly manner in the interests of the producers of that grain.

The exact nature of our recommendation is this: the agency should have the power to enter the market, and to buy, sell and place grain in storage. It is not intended in this policy that the agency should have this power exclusively, or that it should be able to assume exclusive powers. It is not intended that the agency should necessarily even exercise these powers. This would depend upon the apparent need.

One other point. It will be noted that on the question of import permits the resolution from our annual meeting reads—it is one of the agency powers:

To advise the government on feed grains import permit policy so that import licensing shall be under continuous review as a matter of national policy, and to ensure that the response to any need that might arise for issuance of permits be rapid and opportune.

Our policy previously read: "To advise the government on feed grains import permit policy". There is no real change in policy here, but it was desired to make clearer our recognition that import permits are a matter of national policy in which both the producer and the farmer-consumer of these grains have a legitimate interest. It is also clearly our policy that the administration of these permits remain in the hands of the wheat board. This is the best course, since in a world of state trading and export subsidization of grains there is a real need for the retention of this import permit authority, and the wheat board best understands this business.

The CHAIRMAN: Thank you, Mr. Kirk.

I wonder if you would care to read the resolution which was passed in Regina.

Mr. KIRK: I would be delighted to do so if that is your wish.

This resolution, Mr. Chairman, is in a form in which we always find resolutions of agricultural organizations; I am referring, of course, to the "whereas" clauses.

*Resolution passed by the Canadian Federation of Agriculture
Annual Meeting in Regina, January 1965*

WHEREAS eastern and B.C. agriculture are centered on poultry and live-stock production, and in the future this production must develop further to meet growing provincial markets and to ensure satisfactory revenues to agricultural operators; and

WHEREAS animal feedstuffs represent the most important expenses of operation on farms in this country; and

WHEREAS the East and B.C. cannot be self sufficient in the production of feed grains, and provide a very important domestic market for the west; and

WHEREAS the price of feed grains has been known to fluctuate in a pronounced manner in the past; and

WHEREAS this problem has been the subject of numerous briefs and submissions on the part of Eastern and B.C. farmers, and has been the occasion of many debates in the House of Commons; and

WHEREAS no governmental organization is charged with looking to the interests of the Eastern and B.C. producers, as is the case for the farmers of the west through the Canadian wheat board; and

IN VIEW of the inaction of the federal government, faced with this very important problem of the eastern and B.C. farmer;

RESOLVED that the federal government adopt the necessary measures to
(a) Establish equitable transportation cost at the farm for feed grains throughout eastern Canada and British Columbia,

(b) Create a feed grains agency for the eastern provinces and B.C. with the following powers:

1. The administration of freight assistance policy.
2. The administration of storage assistance policy.
3. The placing of feed grain supplies in public storage at the appropriate locations, at the times required and in sufficient quantity.
4. To advise the government on feed grains import permit policy so that import licensing shall be under continuous review as a matter of national policy, and to ensure that the response to any need that might arise for issuance of permits be rapid and opportune.
5. The purchase, sale and distribution of feed grains in the eastern provinces and B.C., at such time as is deemed necessary.

(c) The agency and the responsible minister shall have advisory to it and charged with definite and defined responsibilities a committee composed of persons formally representative of organized farm groups in eastern Canada and B.C.

(d) Immediately after the creation of the projected agency to place the policy of feed freight assistance on a statutory basis.

The CHAIRMAN: Thank you very much, Mr. Kirk.

Are there any questions from committee members?

Mr. DANFORTH: Mr. Chairman, I have one or two questions that I would like to ask Mr. Kirk.

This brief, Mr. Kirk, speaks of feed grains, of the licensing of imports, and of an agency to be established to administer the freight assistance and the storage assistance.

I would like to know what is the position of the Ontario farmer. Are soft wheat, Ontario oats and Ontario corn considered as feed grains as far as this brief is concerned?

Mr. KIRK: I am quite sure this is so, Mr. Danforth. I think the intent is that this agency shall be able to purchase feed grains. It is not an exclusive power—as I pointed out in the brief. I think there is no intention that it will not be able to enter the market and purchase feed grains from western Canada and from eastern Canada, and also from foreign sources. That is my understanding of the policy.

Mr. DANFORTH: I can quite appreciate that, Mr. Kirk, but most of the briefs that have been submitted to the committee on the subject of feed grains have been concerned primarily with feed grains from western Canada. Since the meeting on this subject was held in Regina, I would like to have clarification on the question whether the feed grains considered, as far as this brief is concerned, include western feed grains.

I am particularly interested in the power that was considered for this agency in the matter of importation of grain into Canada. I wonder if that would cover the realm of corn, and specifically United States corn.

Mr. KIRK: There is no limitation, of course, on the import of United States corn.

Mr. DANFORTH: I fully appreciate that. This is why I am asking this question. Was this question considered during the deliberations which resulted in this brief?

Mr. KIRK: Are you asking if the question whether there should be import restrictions was considered?

Mr. DANFORTH: No.

Mr. KIRK: I am sorry, perhaps I am not understanding your point. The preoccupation of the meeting, of course, was very largely with the question of western grains, because to a major degree this is the area of surplus supply.

Mr. DANFORTH: Were there representatives there who could adequately speak to the question of surplus grains here in Ontario?

One part of your brief that causes me some concern is that in which you speak of an agency set up for the administration of freight assistance, storage assistance and import licensing. Was due consideration given during the deliberations to our own eastern problem, or were the deliberations concerned with feed grain surpluses in the west?

Mr. KIRK: I think all I can say in answer to that question is this. In addition to what I have already said, the Ontario farm organization representatives were present at our meeting, and they included representatives of the grain producing interests, particularly wheat.

Mr. DANFORTH: The soft wheat men were represented, were they?

Mr. KIRK: Yes, quite definitely.

Mr. DANFORTH: Did they raise any objection to this particular aspect of freight?

Mr. KIRK: No.

Mr. DOUCETT: May I ask a supplementary question, Mr. Chairman?

Does this recommendation of the federation of agriculture imply an extension of the feed grain assistance policy to grain producers in the province of Ontario?

Mr. KIRK: The feed freight assistance as applied to Ontario grains was not specifically dealt with in this resolution.

My organization's policy position on that arises out of the previous policy—a policy on which we have been quite clear—that there should be a program of feed freight assistance for Ontario feed corn and wheat moving to Quebec and the maritime provinces. That has been our policy.

Mr. DANFORTH: Mr. Chairman, may I continue? I have one further question.

We in the east are not as familiar with the activities of the agency in the west as are the committee members from the west. Mr. Kirk, on hearing this brief one question immediately comes to my mind. It is this. It is stated that the intent behind the establishment of an eastern agency, with powers to buy and sell and store, is not that it should have exclusive power. It is stated that it is not the intent.

If this agency is established, in effect we will have dealings between two government agencies—an agency in the west designed to control and sell, and a proposed government agency in the east designed to buy and sell. In what position will the Ontario farmer find himself? Is this direct government competition against the private sellers in Ontario?

Mr. KIRK: I must explain the nature of my position as a representative of the federation. It is not a matter of embarrassment, I may say; it is a matter of explanation.

The statement I have given you contains some interpretation that is not fully contained in the resolution. The statement is based upon the discussion

that took place at our annual meeting. I am quite confident about its accuracy. If I am wrong, then I will be corrected in the course of time, but I am quite confident that it is accurate.

It is also fair to say by way of interpretation that there is not a common universal and precise consensus and agreement on the urgency of the need, on the nature of it, and on the extent to which these powers are likely to be exercised. But there is agreement that, in the interests of the objectives as stated in the submission, the power should be there.

You are asking whether the power of the board—and remember, it is a power to buy in the market from the wheat board, not an exclusive power—is something which might be considered to jeopardize the interests of the Ontario grower of feed grains. Is that correct?

Mr. DANFORTH: That is correct.

Mr. KIRK: The answer to that can only be, I think, that the policy says that the grain shall be sold by the wheat board in the best interests of the producer of those grains. This means that the price that should be paid to the producer in an orderly marketing program will be paid to him. In other words, this is not a proposal by special arrangement between two government agencies to pay a special reduced price for grains in eastern Canada.

Furthermore, the proposal is that, the price for the grain having been established and the grain being available at these prices, let us say ex-lakehead, the minimum cost shall be added in the process of transporting the feed grains to the consumer. I am referring to costs not only in the sense of the normal cost of handling but also the cost of possible appreciation in price, for example during the closed season.

As I understood the discussion, there was no dissent to these objectives from the Ontario feed grain growers.

I do not know what more I can say on that subject.

Mr. DANFORTH: Will you agree with me, Mr. Kirk, that if such an agency were established with the powers as recommended, the grain dealers and merchants in the province of Ontario could be in a position whereby they would be buying western grains from a government agency and selling to eastern users of grain in competition with another government agency. The farmers who are served by these same merchants or grain dealers would therefore find themselves in the position of being in competition with producers in the west, whose interests are handled by a government agency, and selling to their normal market in the east whose interests are handled or should be handled by a government agency.

I do not wish to present an argument at this time, Mr. Kirk. What I am trying to do is to clarify in my own mind the position in which the Ontario people would find themselves.

Mr. KIRK: Yes. The proposed agency is a government agency.

Mr. DANFORTH: I am not suggesting that this is a matter of dispute or argument; I am just asking if this is the position.

Mr. KIRK: The way in which you have phrased your question raises another question, that of the nature of the operations of the agency and the manner in which they would handle them. That is quite clear, is it not?

Mr. DANFORTH: I agree.

Mr. KIRK: That is to say, they might handle the operation in such a way that they do not as an agency sell to the farmer. They might use the channels of the trade. I am not saying they would, but they might. They might on the other hand sell to the farmer. I do not know what they would do precisely. You know just as much now about this as I do.

Mr. DANFORTH: I think the members appreciate that for the purpose of my comparison I am using the extreme powers that conceivably could be used by such an agency.

I pass.

Mr. OLSON: Mr. Chairman, may I say at the outset that I agree almost completely with the changed position of the federation in respect to the agency being able to move into the market place to ensure adequate supplies during the whole of the feeding season.

Having said that, a number of problems come to my mind in connection with the administration of this kind of policy. I would like to ask Mr. Kirk some questions in the hope that he may have discussed it at the Regina meeting.

First of all, Mr. Kirk, you say the federal government should establish equitable transportation cost at the farm for feed grains throughout eastern Canada and British Columbia.

Can you expand a little on the word "equitable"? Are you suggesting the price should be comparable to the price paid by the feeders of livestock on the prairies, and that there ought to be sufficient freight assistance to take up most or all of the transportation costs?

Mr. KIRK: I do not think I can give a precise interpretation of the word "equitable" as it appears in this resolution in terms of application.

What the resolution does is to establish the belief of a public meeting of delegates in the principle of equity in cost. That really is as far as it went in terms of policy making on that occasion. We have a feed freight assistance policy which has been newly set up in a particular way. There have been some problems here and there, but largely it has been accepted by our producers as a bona fide effort to achieve a reasonable degree of equity in this matter. This involves the payment of a considerable proportion of the actual cost of transportation, in slightly varying degrees, from lakehead to destination.

I am not in a position to develop a new feed grain policy proposal on the basis of the word "equitable".

Mr. OLSON: Inasmuch as you are advocating that this be an agency of the federal government, I assume you are recommending that there would be rather large amounts of capital or credit made available to this agency for the purpose of purchasing grain at the most reasonable times of the year.

Mr. KIRK: That is a policy matter to which, again, I am afraid I do not have answers. Obviously, provision would have to be made for the agency to operate. Mind you, when you buy grain you have an asset, you know; but it would be necessary to put it into a position to operate.

I do not know that I should say anything more about the position of the agency with respect to its operations in a business sense, except to say that, as with the wheat board, I would rather think the presumption is that it will operate on a basis of meeting its costs in a general way under normal conditions. That has been the policy of the wheat board. Again, these are matters on which I cannot refer to specific policy decisions.

You must understand that this policy has not been developed in the sense of a small study group making an exhaustive examination and determining precisely what is meant. This is a policy which was evolved to a considerable degree in broad strokes in a delegate farmers' meeting. I do not mean by that that the policy is inadequate, but it is by no means totally defined in terms of all the complexities of setting up the board and writing the legislation.

Mr. OLSON: Is it envisaged in the discussions that took place that this agency would sell the grain at a slightly higher cost than that at which they purchased in order to meet their operational costs and some of the storage

costs, as the Canadian wheat board does now? In other words, would some of the operating costs actually come out of the operation?

Mr. KIRK: I do not really know the answer to that except to the extent that I said I think there is a broad presumption that they will do so, in a general way.

Mr. OLSON: Was there any discussion about this?

Mr. KIRK: No.

Mr. OLSON: In (b) 3 of the resolution it is stated that the agency will have the power to place feed grain supplies in public storage at the appropriate locations, at the times required and in sufficient quantity.

Will there be any conflict with the board of grain commissioners who now allocate storage for various purposes? In your thinking have you protected the position of the Canadian wheat board? Will they have sufficient storage available to them in certain terminal positions so they can ship their commitments?

Mr. KIRK: I have no doubt whatever in my own mind that problems will arise in connection with the availability of storage and access to storage for various customers; they arise all the time.

One of the reasons for setting up an agency policy in the first place was that we felt we needed a central organization which was not attached to any one of the agencies involved with storage. This was to ensure that the process and policy of providing storage to the competing users—and very often they are competing users—would be carried out satisfactorily.

Mr. OLSON: Would you suggest that the board of grain commissioners would maintain that authority to allocate storage, or would some of it be turned over to this agency?

Mr. KIRK: I do not know the answer to this question.

I think it is quite clear that in one way or another there must be a satisfactory solution to the storage problem. I do not know precisely in detail how this will work out.

Mr. OLSON: I have one more question.

In clause (c) of the resolution it is stated that the agency, and the responsible minister, shall have advisory to it and charged with definite and defined responsibilities a committee composed of persons formally representative of organized farm groups in eastern Canada and British Columbia.

Is this intended to be similar to the advisory committee to the Canadian wheat board?

Mr. KIRK: Yes, it is. The advisory committee to the Canadian wheat board is so composed.

Mr. OLSON: This would be a committee quite apart from the commissioners or the board members?

Mr. KIRK: Yes. There will be the commission or the board or the agency, and then there will be a committee advisory to it.

Mr. VINCENT: That would be done in the same way as our Farm Credit Corporation?

Mr. KIRK: That is right.

Mr. OLSON: In clause (d) you say that the agency will have power immediately after the creation of the projected agency to place the policy of feed freight assistance on a statutory basis.

Would you explain the term "statutory basis"?

Mr. KIRK: Feed freight assistance today results from a policy that is enacted by order in council. The moneys are appropriated under the Appropriations Act. We are suggesting that the feed freight assistance policy, as a policy,

be incorporated in legislation, which is not the case now. Presently, it is incorporated in order in council. There is no feed freight assistance legislation.

Mr. OLSON: Thank you, Mr. Chairman.

The CHAIRMAN: Mr. Kirk, I have a question to put to you which is supplementary to Mr. Olson's penultimate question.

In reference to clause (c) you mentioned that the advisory committee would be composed of persons formally representative of organized farm groups in eastern Canada and British Columbia. I think we all feel that eastern feed grain policy affects western Canadian farmers. Had you considered whether or not there should be representation from the prairies on this advisory group?

Mr. KIRK: No, Mr. Chairman, we do not have a recommendation that this be done. The wheat board does not have eastern representation on its advisory group, and the feeling is that it would be quite satisfactory to have representation from only eastern and British Columbia interests.

We do have the Canadian Federation of Agriculture in this country and we hope this does not mean that there are two completely separate departments considering how this whole thing works out. We think we can do a job in that connection.

The CHAIRMAN: But it is your hope that you might have someone on the board?

Mr. KIRK: We will in the sense that the Canadian Federation of Agriculture is made up of all these constituent organizations; in this sense we will have people on the advisory board or, at least, that would be my expectation.

The CHAIRMAN: I just wanted to clear that up.

Mr. JORGENSEN: I was more particularly concerned about the reasons for this change, the discussions that led up to it and why it was felt that this agency should have its powers extended. If you would, I would like you to give us some idea of the thinking behind the change in this policy.

Mr. KIRK: Mr. Jorgenson, you know the kind of questions your committee has been dealing with and how you have been trying to get to the bottom of these things. We have discussed this extensively. We did that the last time I was here. We have to ask ourselves what the problems are in respect of feed grains, to what extent are the prices excessive to feeders, and what the reasons are for all these things.

Mr. Chairman, I do not pretend to have all the answers to these questions nor did I then. But, so far as I can make out, it was recognized and accepted, from the experience of the eastern Canadian users of feed grains, that all too frequently, especially in the wintertime, there were fluctuations in feed grain prices which had nothing to do with the fluctuation of the prices of supplies, but that all too frequently there was a need for some rail movement. In short, the minimum cost to the feeder is related to the Fort William price, and the availability, as it pertains to the basic price level of feed grains, is not achieved. This is what I am saying in this short submission. How often is this the case? I do not know what precise steps in terms of purchase, storage and sale will have to be taken to combat it, but we do have to have that power so that it can be combated when it occurs.

During our discussions delegates have stood up and said that farmers during the current season of 1964-65 had experienced shifts in the price of feed grain which were unrelated to lakehead prices. They said that they had, in fact, experienced this and they did not think these things should occur.

The CHAIRMAN: Have you a question, Mr. Jorgenson?

Mr. JORGENSEN: This bears out some of the evidence I produced to the committee, which showed that prices in the east were unrelated to the very

minor fluctuations that took place on wheat board quotations. Would I be right in assuming then that you envisage that this change would simply buy you a seat on the Winnipeg Grain Exchange for purposes of buying in the market place rather than buying directly from the Canadian wheat board?

Mr. KIRK: I do not know to what extent the commercial practice of the agency will vary.

Mr. JORGENSEN: But, would it not be necessary for you to buy a seat on the Winnipeg Grain Exchange in order for you to purchase in the marketplace? You anticipate you would be buying on the marketplace and the only way you could do that would be by having a seat on the Winnipeg Grain Exchange.

Mr. KIRK: Well, they could buy through a broker.

Mr. JORGENSEN: But, in order to buy from the board they must have a seat on the Winnipeg Grain Exchange. You mentioned the problems in connection with the fluctuation of prices in eastern Canada. It occurred to me there are several large co-operative organizations in eastern Canada which handle feed grain. Why have they been unable to have any effect on the fluctuation of prices? It seems to me they are admirably suited to that particular job.

Mr. KIRK: It would be going too far, to start with, to say they have been unable to change this situation; it would be more true to say that they feel they have been unable to cure it altogether. I think the problem relates to the availability of storage, to the ability to hold grain, to the ability to carry over grain to the opening of the new season for commercial reasons. But, a new board might be in a different position.

Mr. JORGENSEN: Mr. Olson raised a point in respect of the conflict that might arise between the powers now being exercised by the board of grain commissioners and this agency, and that this is very important. Would you not conclude there is a possibility it may be necessary for this agency to extend itself further and further until, finally, it has a complete monopoly in the grain trade in eastern Canada, as a result of which it may be necessary for them to set up their own storage facilities?

Mr. KIRK: I did not conclude anything of that sort, but the agency will be in the business, and we will see.

Mr. JORGENSEN: I have a further question, following along the lines of a question put by Mr. Danforth. How would you anticipate that the agency would buy eastern feed grains? How would it go into the marketplace and buy it? And, having bought it, what machinery would be available to them to move it into position?

Mr. KIRK: Do you mean how would they buy it?

Mr. JORGENSEN: Yes.

Mr. KIRK: I think they would just buy it. They would acquire feed grains. This is the way I picture it. Other people would have acquired feed grains which would cost them so much. Now, I am not saying this because there are no difficulties with regard to the agency policy involved in this. Of course, there are. I am just saying, again, I do not know all the answers to this and, in fact, many of them will have to be worked out. All we are saying is that we hope the board will be able to acquire this grain, to dispose of it and store it in the interests of stabilization of the market, thereby ensuring, as far as possible, that the cost of getting it to the consumer from the lakehead is minimized. Obviously, in doing this, the agency is conceived of performing the functions of a supplier, with a special responsibility to ensure fairness of price.

Mr. JORGENSEN: The movement of eastern feed grains involve what, I believe, to be two areas of activity. The first is moving the grain from the lakehead to storage positions in eastern Canada, and, second, the movement

of grain from these storage positions in eastern Canada to the actual feeder. Is it your intention that this agency is going to involve itself in both these areas of activity, or just the one?

Mr. KIRK: My impression is the initial one only. As I believe I said the last time I appeared before you, the actual cost of handling grain, as opposed to changes in the price level, relates to the supply position, the grinding, the shipping, insurance and so on. We have no great intentions of having major margins here, and it is in this field that the co-operative have done an effective job, in our view.

The CHAIRMAN: Would you proceed now, Mr. Mullally.

Mr. MULLALLY: Mr. Chairman and Mr. Kirk, I am certainly pleased that the federation has advanced its position from the one that was taken when you were here over a year ago, and I certainly agree with the new views you have put forward.

The first question I would like to put is a fundamental one. I am wondering how many individual members and representative groups you have in your organization. This would give me a guide as to how broad your basis of support is for the position you are taking.

Mr. KIRK: Well, being a federation, of course, we do not have a simple membership count; we have the problems of overlapping, co-operative memberships and so on. But, we think, through our constituent organizations, we represent the vast majority one way or another of the farmers in Canada.

Mr. MULLALLY: Are you represented in all provinces?

Mr. KIRK: We are represented in all provinces except Newfoundland.

Mr. MULLALLY: Then, when this resolution came up before the meeting in Regina, did it receive very wide support from all sections of the meeting representing all sections of the country? I am wondering what the basis of your support was at the meeting held in Regina when this resolution was passed. How broad was the basis of your support for the type of change you are suggesting?

Mr. KIRK: There was an extensive debate on this question and the debate was devoted largely to explanations by people who were from various parts of the country with regard to how they saw the important aspects of the grain marketing system work and how they thought it would work. The things that are in this resolution now were before the meeting and were passed by the meeting in this form on the basis of the recommendations made on points raised by the people who brought forward the resolution. This came about through our eastern conference. That is how it happened and then the resolution was passed with virtually no dissent.

Mr. MULLALLY: You said the resolution passed with virtually no dissent. I presume that means that it had unanimous approval of all the people who attended the meeting?

Mr. KIRK: Yes.

Mr. MULLALLY: And representatives of all farmers from all parts of the country attended?

Mr. KIRK: That is right. It was a delegates' meeting and there were 79 delegates with a representative from each province right across the country.

Mr. MULLALLY: And virtually all of these people supported the views of the federation as embodied in this resolution?

Mr. KIRK: Yes. We reached a very solid consensus on this resolution.

Mr. MULLALLY: The remainder of my questions are quite detailed in respect of the workings of the agency. General ideas are set out in the resolution and you have given some explanation of these. In the questions I am about to

put I am looking for information, and I may be putting questions which you are not prepared to comment upon or to give your detailed views. But, I would like you to give us your views and the views of the federation on the actual operation of the agency, to the best of your ability, because I think it would be very helpful to the members of this committee.

You say simply:

The purchase, sale and distribution of feed grains in the eastern provinces and British Columbia, at such time as is deemed necessary.

I realize my question will be broad but, if you can, would you give us some of your ideas on the actual operation of the agency in respect of the purchasing, selling, distribution and storage of feed grains?

Mr. KIRK: It would be most irresponsible of me to start guessing in respect of what my organization thinks, and I am not going to do that. I think it is a small phrase such as this that illustrates the relatively small change that this policy represents. As pointed out in this brief, we had said we wanted this change so that we could intensely study the feed grain situation and recommend what things should be done. As I pointed out in this submission, it was always therefore in the realm of possibility that with experience the agency might have concluded that marketing powers were needed; but then, you would have had to have a legislative amendment. What is being said here is that our delegation have become convinced from the evidence and experience of the eastern people that the problem does exist and, in fact, continues to exist, even with a new policy, in respect of eastern storage, eastern storage payments and so on. Even though this continues to exist they are saying: "All right, let us get some power in there so that we do not need a legislative amendment, so that when the agency starts operating just as soon as it finds out it needs to act in this area it can."

Mr. OLSON: I would not like to have the thought conveyed that this is a small change in the policy given in your statement dated October 16, 1963, wherein you said this, after outlining the powers that you envisaged in this former advisory committee: "The first thing we would emphasize in connection with this proposal is that it is not a proposal for a marketing agency; the agency itself would do no buying, selling, storage or other actual marketing functions". Now, that has completely changed.

Mr. KIRK: I concede to that and agree. All I am saying is that the extent of the agency should not be exaggerated. One of the reasons that so much emphasis was put on that point was that we wanted to be sure and not have any misunderstanding about this because there had been a good deal of misunderstanding and lack of clarity on whether or not we were recommending the inclusion of marketing powers in that legislation. We were not then and we are not now.

Mr. MULLALLY: Mr. Kirk, could you explain again in a little more detail the views of the federation and the part of the resolution which says:

Establish equitable transportation cost at the farm for feed grains throughout eastern Canada and British Columbia.

When you refer to the word "equitable" do you mean that a ton of grain would cost the same in Quebec as a ton of grain would cost in Newfoundland, landed at the farm? Is that your intention? In other words, are you saying that a ton of grain would cost a farmer in Newfoundland exactly the same, landed at his farm, as it would cost a farmer in Quebec? Is this what you mean by equitable transportation? I assume that what you are saying is that if the cost at the lakehead is the same and if you have equitable transportation costs,

which are controlled by the agency, then all other cost factors should be the same, whether landed at a farm or rail siding in Newfoundland or in Quebec. Is that what you envisage?

Mr. KIRK: Well, the point is that the broad impact of feed freight assistance now is in the direction of an equalization of the transportation section of the cost. But, it does not altogether equalize it. For one thing, you have zones and it is not equalized within the zones. These zones vary in size and, therefore, it is a very complex policy area. I must repeat, I do not have a new freight assistance policy to build on this word "equitable".

Mr. MULLALLY: You are not suggesting it should be completely equalized in respect of every farmer.

Mr. KIRK: But, we have an agency here and one of its functions is to study and to thoroughly understand freight assistance, how it works and, as we go along, the impact of it, to note if inequities appear and, if they do, to correct them and to do the best job we can in this very difficult field of administration policy.

Mr. MULLALLY: But, as a general policy it is the thinking of the federation that it should be as equitable as possible?

Mr. KIRK: Yes.

Mr. MULLALLY: And that the agency should work toward this end?

Mr. KIRK: That is right. That is what the policy is designed to do.

The CHAIRMAN: Would you proceed, Mr. Beer.

Mr. BEER: Mr. Chairman, through you may I say to Mr. Kirk that we have to learn something from the statement submitted this morning. It would appear to be couched in very careful language. I note that you state that it was always therefore in the realm of possibility that with experience the agency might have concluded that marketing powers were needed and it might have recommended an amendment to the legislation to provide them. And then you go on to say that there is a sufficient possibility that intervention by the agency in the feed grains market may be desirable. I think these probably are a little less than firm recommendations in respect of what you want to recommend to the committee.

May I put my first question. What are we really trying to achieve by feed freight assistance generally, in your opinion?

Mr. KIRK: Would you mind if I commented upon your introductory remarks first?

Mr. BEER: No.

Mr. KIRK: It is a very firm recommendation in the sense of asking for the powers to be embodied in the legislation. The thing which is not firm about it is the prediction of what precisely will happen. There is a distinction there.

Mr. BEER: Then, are we firm in our determination as to what we want to achieve? Are we convinced we know what we want to achieve?

Mr. KIRK: So far as I am concerned, I think it is quite clear what we want to achieve. We want to ensure price stability, the elimination of speculation or excessive margins between what the grain is sold for by the wheat board and the price paid by the farmer for using the grain, as well as to ensure adequacy of supply. Those, in my view, are the objectives.

Mr. BEER: Yes, those are the objectives but do you think that the whole feed freight assistance policy is confined in that? In other words, are we trying to improve the income position of farmers in eastern Canada, and do we feel that this is going to do that?

Mr. KIRK: Well, first of all, the agency recommendation involves much more than feed freight assistance as a policy, although I assume they are related in the sense of trying to get an equitable policy so that all farmers can make a living. But, it would be going too far to say that this is by any means the only factor involved. A very significant factor for many farmers is keeping the grain price at a fair level.

Mr. BEER: Do you feel that there may be people in the industry who are achieving unfair advantage as a result of this policy and, consequently, this does not really relate to the little farmer who actually needs to improve his income position. I'm thinking of a man with 50,000 layers or, perhaps 150,000; he probably is reaping a very much greater benefit than the fellow with, say, 20 or 40 hogs, or perhaps 20 cows.

Mr. KIRK: This policy is related to the question of cost and the cost factors with regard to the production of the product. It is not a policy that impinges on the question of distinguishing between farmers in terms of size and the distribution of the assistance between the farmers. It does not deal with that and that is all there is to it.

Mr. BEER: Then, if it does not distinguish between the small farmer and the large farmer it probably is placing the small farmer at a distinct disadvantage and the large farmer at a distinct advantage. Is this possible?

Mr. KIRK: Well, you know the world is full of some people who do better than other people, and this immediately gets you into very profound questions of policy, which is a continuing matter for consideration by farm organizations.

I am not going to make judgments on behalf of my organization or personally with regard to the answer to all these questions which, necessarily, I think I would be involved in, in attempting to answer your question as you put it.

Mr. BEER: I have a further question. We probably are envisaging that this agency would have the power to purchase. Our needs amount to something like 85 million to 100 million bushels of grain in eastern Canada, and presumably they would be able to purchase approximately that amount of feed grain. If that was the case, this would require capitalization of something over \$100 million. I presume it would be the recommendation of the federation that government money be made available. Am I correct in this assumption? Who is going to put up the money to pay for it?

Mr. KIRK: Well, grain, of course, is an asset. I did not understand your \$100 million figure.

Mr. BEER: Well, if you are going to buy 85 million bushels of grain and it costs you \$1.25 a bushel it is going to cost \$100 million to buy the 85 million bushels of grain.

Mr. KIRK: Yes. In the first place, it does not follow at all that the agency will buy all that grain because it does not follow that it will purchase all the grain. I hope I have made that quite clear. It is not a recommendation for exclusive powers.

The second point is that you cannot think of this in terms of capital needs. I myself think of the word capital as meaning something different. When someone buys and sells a product, the kind of credit needed to finance that operation is a working capital credit, and the purchase in itself creates the security for that credit to a very considerable extent. You do not necessarily need to acquire \$100 million from the outset.

Mr. BEER: The security could be the basis of the next question.

Suppose prices of grains are increasing, then of course the agency would be in a very strong position and there would be no problem. If prices are

declining at some particular time, then the asset is also declining in value, and who will pick up the tab for the loss in the value of the asset?

Mr. KIRK: You are now asking me a very real and very important question which relates to the agency functions and the way in which it must do its job. Again, all I can say is that I do not know the answer to all these questions.

I hope, Mr. Beer, that we will arrive at answers to that problem. Do not misunderstand me; I hope we will and I think we must. However, I do not have the answers today. That is all I can say.

The CHAIRMAN: I have Mr. Whelan and Mr. Vincent on my list of speakers.

Mr. WHELAN: Mr. Kirk, I am very happy about this new approach to grain marketing by the federation of agriculture in comparison with the other approach. The old approach was like an old bulldog without teeth, whereas this is like a young pup developing its teeth. We will have to see where it goes from there if the government follows the suggestion of the federation.

The experience in Ontario last fall showed that there is a very definite need for some assistance. The problem was not looked after properly by the trade who generally buy the grain, and quite a chaotic situation was created.

During the recess I have attended some meetings from which I know that our producers are quite happy with this suggestion.

I do not think I have any question to put to Mr. Kirk. I merely wanted to make that comment. Most of my questions have been well covered by other members.

Mr. VINCENT: Originally I had many questions to put to Mr. Kirk on this topic, Mr. Chairman, but many have been answered now. However, I must say right away that I am very happy about the statement by the federation of agriculture.

I would like to ask one question in connection with the resolution which was passed by the federation in Regina. Under clause (c), is there any objection to having representatives of feed mills or the feed trade on the advisory committee which you recommend be composed of persons representing organized farm groups?

Mr. KIRK: No, our recommendation is that all the representatives on the advisory committee will be producer representatives. They might be representative of producer co-operatives in part, but our view is, as is the case with the wheat board, that this is an institution set up in the interests of producers and should have producers advising it.

Mr. OLSON: You are talking about livestock producers not grain producers?

Mr. KIRK: Is that a question?

Mr. OLSON: Yes. Please clarify what you mean by producers.

Mr. KIRK: I mean producers in eastern Canada and British Columbia. To a very great extent they would of course have an interest in livestock production; they would be consumers of feed grains. Our policy does not necessarily confine the representation to this group. You have producers of grains in eastern Canada, do you not? Our policy does not exclude some representation by those people.

Mr. VINCENT: But feed mills in eastern Canada may buy from this agent. A group of feed mills which might represent producers could perhaps have a representative on the advisory committee? Would that be possible? Do you have any objection to that?

Mr. KIRK: Producers might be represented, as I say, by co-operative representatives who are in the business, I quite agree.

Mr. VINCENT: I am referring to private feed mills.

Mr. KIRK: No, private feed mills would not be represented. Our recommendation is that they should not be represented because the co-operatives would be represented by virtue of representing producers, and the private feed mills would not.

Mr. VINCENT: You said a few moments ago that the Canadian Federation of Agriculture represents all farm organizations in Canada. Mr. Sorel is vice president of your federation, is he not?

Mr. KIRK: Yes.

Mr. VINCENT: Do you say that he is completely endorsing this statement?

Mr. KIRK: To a considerable extent, as everyone who wants to look at the proceedings knows, this question arose at the U.C.C. annual meeting.

Mr. VINCENT: The co-op fédérée of the province of Quebec is a member of your federation too, is it not?

Mr. KIRK: Yes.

Mr. VINCENT: I am a little concerned because I know the co-op supported a brief by U.C.C. in 1963. They were asking about the same thing. In October, 1964, the Montreal Corn Exchange Association came here and said they opposed completely this view and that the co-op fédérée was a member of the Montreal Corn Exchange and were supporting the submission opposing the policy. I want to be sure that the co-op fédérée is behind this statement today. Did they support it?

Mr. KIRK: All I can say, sir, is that they are, as you point out, members of our organization and they participated in this decision.

Mr. FORBES: May I ask a supplementary question?

The CHAIRMAN: Mr. Forbes.

Mr. FORBES: During the hearings we have held with respect to feed grain policy, if my memory serves me well the discrepancy in price seemed to arise during the processing of the grain—and when I refer to the processing I am of course speaking of putting in the additive after it gets to the feed mills, the flax, the salt, the alfalfa and so on.

Is it the intention of this board to process the feed in order to provide cheaper feed for the producers of eggs and poultry?

Mr. KIRK: That is not my understanding of the policy.

Mr. VINCENT: I do not think it is possible.

Mr. KIRK: Certainly it is not my understanding that the purport of the policy is to put the agency into the feed mill or feed distribution business.

The CHAIRMAN: Are there any further questions? Mr. Forgie?

Mr. FORGIE: No, Mr. Chairman, the questions I had intended to ask have been covered.

Mr. MADILL: Mr. Chairman, I would like to ask one short question.

I realize the federation of agriculture is in good faith in this endeavour, but owing to the recent experience we have had in Ontario with FAME—the Farmers Allied Meat Enterprise—which was supposedly backed by farmers, I want to be sure that we are not just jumping into another endeavour like that. I want to be sure that storage will not be built at great cost in opposition to feed dealers and that we then find we are running into something like the FAME situation.

Is there a safeguard in this or is it an endeavour?

Mr. KIRK: I do not really see the parallel, sir, at all. As I say, the precise nature of the proposed agency's operations is not all sorted out and defined. One thing is perfectly clear; it is not the intention that the agency

shall take over the whole feed business in eastern Canada from private trade. That is quite clear.

One could have said, I suppose, the same thing about the wheat board. If I recall the history, the wheat board was faced with policy questions after it was set up. This same kind of question was not defined. They have adopted certain practices. Their policy on the whole has been to utilize the channels and the facilities of the trade.

I am not saying this will be done in precisely the same way. I am saying that I do not anticipate a major problem here, and I do not really see the parallel with FAME.

The CHAIRMAN: Mr. Beer, have you another question?

Mr. BEER: I have a supplementary question, Mr. Chairman.

Let us suppose we are dealing with a declining grain market and the agency acquires a certain amount of grain in the fall. Let us assume that producers in eastern Canada will use the grain that the agency has purchased, and that there is a declining price situation. The farmer in eastern Canada can obtain other supplies of feed grain at a lower price than that at which the agency acquired the grain in the fall, or agreed to take the grain. Would it be binding on producers? Would they have to buy through the agency? Or would they leave the agency with grain that it had purchased and which had to be paid for while having no market for it? Is this a possibility?

Mr. KIRK: Of course, Mr. Beer, it is always possible for a firm or an agency to buy grain and then for the price to decline during the winter months to considerably less than the price at which the grain was purchased. As I understood our recommendation, the is nothing to prevent grain being brought down by private trade or the co-operative trade under those conditions. But remember that the agency will presumably have available to it the provisional pricing option, if it wishes to use it.

Mr. BEER: Yes.

Mr. KIRK: There is also the possibility of hedging. I do not know whether it will use the hedging process or not, but it will be in the market, you know, and I suppose we will have to deal with these questions. I am not saying these questions do not arise; do not misunderstand me. Of course, theoretically they can arise. However, all things considered, we have a remarkably stable grain price situation through the wheat board.

Mr. VINCENT: And I expect the agency will look into the figures of the past in order that they will know exactly how many times the price has declined in the past. After that, the agency will work on its findings not on a one year basis but perhaps on a five year basis or a six or seven year basis. There might be a decline one year and there might be an increase for four or five years.

Mr. OLSON: The Canadian wheat board will see that there will not be any severe price declines if they can help it.

The CHAIRMAN: Gentlemen, have we concluded the hearing?

Our next meeting will be when we consider the report prepared by the steering committee, and you will receive notice of that.

On behalf of everyone, Mr. Kirk, I would like to thank you for your kindness in attending this morning.

APPENDIX (1)

Statement by the
CANADIAN FEDERATION OF AGRICULTURE
to the
HOUSE OF COMMONS COMMITTEE ON AGRICULTURE & COLONIZATION
Regarding Feed Grains Policy
February 18, 1965

This brief statement is being made supplementary to the submission made previously to the Committee on the same subject, in order to report and explain some changes in the Canadian Federation of Agriculture policy position.

Attached to this statement for reference are: (1) the resolution passed by our recent annual meeting of delegates in Regina, concerning the feed grains question. (2) An excerpt from our December 1963 submission to this Committee in which the essentials of our feed grains agency proposal were set out.

There is only one essential difference between the two policy positions. This is that we are now recommending that the proposed agency have the power to buy, sell and store feed grains, and in connection with the storage aspect, it is recommended specifically that the agency accept a responsibility, as may be required, to place feed grains in storage to ensure their availability in sufficient quantities and at appropriate locations.

It will be recalled that one of the essential functions of our agency proposal has always been that it should "study and advise on all aspects of feed grain policy". It was always therefore in the realm of possibility that with experience the agency might have concluded that marketing powers were needed, and have recommended amendment of the legislation to provide them. The Federation has now concluded, however, that there is sufficient possibility that intervention by the agency in the feed grains market may be desirable.

The reason why we have concluded it may be desirable, is that these powers of the Board may be required to ensure price stability, elimination of speculative or excessive margins between what the grain is sold for by the Wheat Board and the price paid by the farmer using the grain, and adequacy of supplies.

It should be noted that there is no change in our firm recognition that there should be no interference with the responsibility of the Wheat Board to market grain in an orderly manner in the interests of the producers of that grain.

The exact nature of our recommendation is this: the agency should have the power to enter the market, and to buy, sell and place grain in storage. It is not intended in this policy that the agency should have this power exclusively, or that it should be able to assume exclusive powers. It is not intended that the agency should necessarily even exercise these powers. This would depend on the apparent need.

One other point. It will be noted that on the question of import permits the resolution from our annual meeting reads:

To advise the government on feed grains import permit policy so that import licensing shall be under continuous review as a matter of national policy, and to ensure that the response to any need that might arise for issuance of permits be rapid and opportune.

Our policy previously reads: "To advise the government on feed grains import permit policy". There is no real change in policy here, but it was desired to make clearer our recognition that import permits are a matter of national policy in which both the producer and the farmer-consumer of these grains has a legitimate interest. It is also clearly our policy that the administration of these permits remain in the hands of the Wheat Board. This is the best course, since in a world of state trading and export subsidization of grains there is a real need for the retention of this import permit authority, and the Wheat Board best understands this business.

Respectfully submitted.

CANADIAN FEDERATION OF AGRICULTURE.

Resolution passed by the Canadian Federation of Agriculture
Annual Meeting in Regina, January 1965

WHEREAS Eastern and B.C. Agriculture are centered on poultry and livestock production, and in the future this production must develop further to meet growing provincial markets and to ensure satisfactory revenues to agricultural operators; and

WHEREAS animal feedstuffs represent the most important expenses of operation on farms in this country; and

WHEREAS the East and B.C. cannot be self sufficient in the production of feed grains, and provide a very important domestic market for the west; and

WHEREAS the price of feed grains has been known to fluctuate in a pronounced manner in the past; and

WHEREAS this problem has been the subject of numerous briefs and submissions on the part of Eastern and B.C. farmers, and has been the occasion of many debates in the House of Commons; and

WHEREAS no governmental organization is charged with looking to the interests of the Eastern and B.C. producers, as is the case for the farmers of the West through the Canadian Wheat Board; and

IN VIEW of the inaction of the Federal Government, faced with this very important problem of the Eastern and B.C. farmer;

RESOLVED that the Federal Government adopt the necessary measures to

(a) Establish equitable transportation cost at the farm for feed grains throughout Eastern Canada and B.C.,

(b) Create a feed grains agency for the Eastern Provinces and B.C. with the following powers:

1. The administration of freight assistance policy.
2. The administration of storage assistance policy.
3. The placing of feed grain supplies in public storage at the appropriate locations, at the times required and in sufficient quantity.
4. To advise the government on feed grains import permit policy so that import licensing shall be under continuous review as a matter of national policy, and to ensure that the response to any need that might arise for issuance of permits be rapid and opportune.
5. The purchase, sale and distribution of feed grains in the Eastern provinces and B.C., at such time as is deemed necessary.

(c) The agency and the responsible minister shall have advisory to it and charged with definite and defined responsibilities a committee composed of persons formally representative of organized farm groups in Eastern Canada and B.C.

(d) Immediately after the creation of the projected agency to place the policy of feed freight assistance on a statutory basis.

Excerpt from Submission by the Canadian Federation of Agriculture to the House of Commons Committee on Agriculture and Colonization on Feed Grain, December 10, 1963

"The Canadian Federation of Agriculture has recommended to the Federal government the 'formation of a special Federal agency entrusted with looking to the interest of farmer-consumers of feed grains'.

"The Federation's official statement of policy on the agency reads as follows:

"The need for an agency is this: there should be a means of administration of feed freight assistance and other feed grain policies in the producer interest for which they were designed. There should be a means for continuing and comprehensive attention by an authoritative body, operating in the interests of farmer-consumers of feed grains, to problems, policies and developments in the feed grain situation. There should be a means by which farmer-consumers of feed grains might have a recognized role to play in advising on and developing policy with respect to feed grains. We conceive the scope of interest of such agency to embrace the supply and movement of western feed grains moving to Eastern Canada, and also the supply and movement of Ontario feed grains, particularly wheat and corn.

"These requirements would in our opinion be best met by establishing a special Federal agency whose declared purpose is to serve the interests of farmer-consumers of feed grains.

"This agency should have, advisory to it, and charged with definite and defined responsibilities, a committee composed of persons formally representative of organized farm groups.

"The specific functions of such an agency should be:

1. The administration of the feed freight assistance policy.
2. The exercise of adequate powers to require action, when needed, to make eastern public grain storage available for needed supplies of feed grains.
3. To administer the storage subsidy programs for feed grains recommended in this submission.
4. To advise the government on feed grain import permit policy.
5. To generally study and advise on all aspects of feed grain policy. In this connection the agency should study, and advise on, supply and market developments which may create undesirable and short-run distortions and fluctuations in price. It shall not, however, interfere with the exercise by the Canadian Wheat Board of its responsibility to market western grain in an orderly fashion in the interests of producers of western grain'."

HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964-65

STANDING COMMITTEE

ON

Agriculture and Colonization

Chairman: RUSSELL C. HONEY, *Esq.*

PROCEEDINGS

No. 17

Respecting

PRICES OF FEED GRAINS

THURSDAY, MARCH 11, 1965

TUESDAY, MARCH 16, 1965

INCLUDING FOURTH REPORT TO THE HOUSE

ROGER DUHAMEL, F.R.S.C.

QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1965

STANDING COMMITTEE
ON
AGRICULTURE AND COLONIZATION

Chairman: Russell C. Honey, Esq.

Vice Chairman: Patrick T. Asselin, Esq.

and Messrs.

Alkenbrack,	Groos,	Muir (<i>Lisgar</i>),
Armstrong,	Gundlock,	Mullally,
Asselin (<i>Notre-Dame-de</i>	Horner (<i>Acadia</i>),	Nasserden,
Grâce),	Howe (<i>Wellington-</i>	Noble,
Bécharde,	Huron),	O'Keefe,
Beer,	Jorgenson,	Olson,
Berger,	Kelly,	Peters,
Boulanger,	Kennedy,	Pilon,
Brown,	Konantz (Mrs.),	Rochon,
Cardiff,	Korchinski,	Roxburgh,
Choquette,	Langlois,	Saltsman,
Cooper,	Laverdière,	Tardif,
Crossman,	Lessard (<i>Lac-Saint-</i>	Thomas,
Cyr,	Jean),	Tucker,
Danforth,	Loney,	Vincent,
Dionne,	Madill,	Watson (<i>Assiniboia</i>),
Doucett,	Mather,	Watson (<i>Châteauguay-</i>
Émard,	Matte,	Huntingdon-
Éthier,	McBain,	Laprairie),
Forbes,	McIntosh,	Webb,
Gauthier,	McLean,	Whelan—60.

(Quorum 20)

D. E. Levesque,
Clerk of the Committee.

Messrs. Pilon, Asselin (*Notre-Dame-de-Grâce*), Boulanger, Tucker and McLean (*Charlotte*) replaced Messrs. Drouin, Forest, Temple, Gendron and Forgie on March 15, 1965.

ORDER OF REFERENCE

House of Commons.

MONDAY, March 15, 1965.

Ordered,—That the names of Messrs. Pilon, Asselin (*Notre-Dame-de-Grâce*), Boulanger, Tucker and McLean (*Charlotte*) be substituted for those of Messrs. Drouin, Forest, Temple, Gendron and Forgie on the Standing Committee on Agriculture and Colonization.

Attest.

LÉON-J. RAYMOND,

The Clerk of the House.

REPORT TO THE HOUSE

March 22, 1965.

The Standing Committee on Agriculture and Colonization has the honour to present the following as its

FOURTH REPORT

Your Committee, pursuant to its Order of Reference of June 24, 1964, submits its findings, observations and recommendations to the House of Commons in the annexed document.

A copy of the Committee's Minutes of Proceedings and Evidence (*Issues 8 to 17 inclusive*) is appended herewith.

Respectfully submitted,

RUSSELL C. HONEY,
Chairman.

CHAPTER I—GENERAL

Pursuant to its Order of Reference dated June 24, 1964, your Committee had before it the following matter for consideration and report:

That the Standing Committee on Agriculture and Colonization be empowered to examine and enquire forthwith into all matters arising out of and relating to the difference between the prices received for Feed Grain by the producers of the Prairie Provinces of Canada and the price paid by livestock feeders in Eastern Canada and British Columbia, and that the evidence adduced before this Committee in the Twenty-sixth Parliament be referred to the Committee, and that the Committee have leave to receive such evidence as part of the said examination.

During the First Session of the Twenty-sixth Parliament your Committee held seven meetings and heard evidence from the following witnesses on the aforementioned matter. The witnesses heard were:

1. The Minister of Agriculture and his officials.
2. The Assistant Chief Commissioner and officials of the Canadian Wheat Board.
3. The Chief Commissioner and officials of the Board of Grain Commissioners.
4. Officials of The Canadian Federation of Agriculture, The Catholic Farmers' Union (U.C.C.) and The Coopérative Fédérée.
5. Officials of The Winnipeg Grain Exchange.
6. Officials of The Association for the Development and Protection of Eastern Agriculture Inc.
7. Dr. F. W. Walsh, Maritime Cooperative Services Limited.

In the course of its continued inquiry, respecting Feed Grain prices in the Second Session of the Twenty-sixth Parliament, your Committee held ten meetings and heard evidence from:

1. Officials of the Montreal Corn Exchange Assoc.
2. Mr. Charles E. S. Walls of the British Columbia Federation of Agriculture.
3. Officials of the National Farmers Union.
4. Mr. Harold H. Lasher, Lasher's Feed and Seeds Limited, Napanee, Ontario.
5. Officials from the Ontario Retail Feed Dealers Association.
6. Officials from the Grain and Grain Products Section, Metro Toronto Board of Trade.
7. Officials from the Ontario Elevators Association.
8. Officials from the Association of Feed Manufacturers (Eastern Division), Montreal, Que.
9. Mr. William A. Flemming, Feed Merchant, Truro, N.S.
10. Mr. Cyrice Godbout from the Grand Falls Milling Company, Grand Falls, N.B.
11. Officials from the Independent Corn Growers Association of Ontario.
12. Officials from the Ontario Commercial Corn Committee.

13. Mr. David Kirk, Secretary of the Canadian Federation of Agriculture.
14. Mr. C. R. Phillips, Program Co-Ordinator, Canadian Federation of Agriculture.

Your Committee wishes to express its appreciation to all those who presented evidence and to its Clerk, Mr. D. E. Levesque and personnel of the Committees Branch who have so greatly assisted the Committee in the performance of its duties.

In view therefore of the present status of, and having completed its inquiry pursuant to the said Order of Reference, your Committee reports:

CHAPTER II—INTRODUCTION

Freight assistance on feed grains grown in the prairie provinces and forwarded to British Columbia and Eastern Canada was authorized in 1941. This policy had a twofold objective, namely, to increase the markets for western feed grains and to assist feeders in Eastern Canada and British Columbia to obtain western grain at reduced freight rates. The policy has also had the effect of assisting growers of feed grains in the prairie provinces to meet competition from imported grain, particularly American corn.

Changes were made in the policy from time to time to meet changes in transportation cost but the essential characteristics of the policy have been maintained.

The policy was based on rail transportation and as a result, as pointed out by the Royal Commission on Transportation in 1961, there had been no competition between different methods of transportation.

In August, 1963, a revised policy was announced by the government. The changes implemented by this revised policy were:

- (1) A deferred or provisional pricing system on oats and barley for domestic use similar to the pricing policy then in effect for feed wheat was implemented by the Canadian Wheat Board.
- (2) The payment of storage charges on western feed grains in licensed eastern elevators during the period October 15th to April 15th, in each year.
- (3) The freight assistance policy was modified to allow for truck transportation of grain and to provide for assistance related to the cost of moving grain to the nearest eastern elevator and additional assistance related to the cost of moving grain by the lowest cost method from such elevators to local feed mills or merchants.

Further revisions to the feed freight assistance policy were announced in July and August of 1964. These announcements, briefly, provided for the zoning of areas in Eastern Canada and rates of assistance for each zone were established on a flat rate basis, by whatever combination of water, rail or truck movement was used with a view to achieving the position where there would be no balance of transportation cost greater than \$2.00 per ton by the lowest cost method of transporting grain. Separate and higher levels of assistance applied on millfeeds and screenings transported by rail or truck to certain destinations in the Atlantic provinces. Provision was also made for storage payments at Halifax to commence September 15th rather than October 15th, which latter date applied elsewhere in Eastern Canada.

CHAPTER III—CANADIAN FEED GRAINS AGENCY

Your Committee recommends the establishment of an agency, board or commission (hereinafter called an "agency") to be known as the Canadian Feed Grains Agency, or such other name as may be determined by parliament. This agency should be created by statutory enactment and should be required to report to parliament annually. The agency should consist of not less than three and not more than five members to be appointed by the Governor in Council. The agency should be a body corporate having capacity to contract and to sue and be sued in the name of the agency.

The agency should be incorporated with the object of administering a feed grain policy for the benefit of Canadian feeders especially those in Eastern Canada and British Columbia, and having regard to any and constitutional factors should possess the following powers:

- (1) To administer the feed freight assistance policy including the duties of constant review of the operation of the policy, and to make the appropriate recommendations from time to time to the government to ensure the most efficient and equitable operation of the policy in the national interest.
- (2) To administer the feed grain storage assistance policy, including the duties of constant review of the operation of the policy, and to make appropriate recommendations from time to time to the government to ensure the most efficient and equitable operation of the policy in the national interest.
- (3) To buy, store, transport and sell feed grains which are for the use of feeders in Eastern Canada and British Columbia.
- (4) To act to ensure that there are adequate handling and storage facilities in Eastern Canada and British Columbia and to advise the government in respect thereto.

Your Committee recommends that the agency should keep the whole matter of feed grain policy under constant study with a view to advising the government with respect to the operation of existing policies and the formulation of new policies.

The agency should, in particular, give careful study to the whole matter of feed grain policy, in all its aspects, before exercising any of the powers given to it under item (3) above. Your Committee is of the opinion that the authority given to the agency may, in itself, be sufficient to ensure price stability and to eliminate speculative and excessive margins of profit. However, we wish to make it abundantly clear that the agency should not hesitate to exercise the powers given to it under item (3) above if it deems it in the interest to feeders in Eastern Ontario and British Columbia to do so.

Your Committee recommends that it is desirable for the agency, in the furtherance of its objectives, to require every feed mill in Eastern Canada and British Columbia to supply the agency with periodic reports, not less often than once each week, in which would be set out the daily selling prices of feeds. This information could be compiled by the agency and made available to feeders in Eastern Canada and British Columbia who would then know if the prices being paid at any particular time are competitive in the respective regions.

Your Committee recommends that the feed freight assistance policy and the feed storage policy should be authorized in the legislation which sets up the agency. It is desirable to give some degree of permanency to these policies which are presently implemented through Order-in-Council and annual inclusion

of expenditures in the Appropriations Bill. Adjustments in either policy as recommended by the agency from time to time could then be made by Order-in-Council passed under the authority of the enacting legislation.

Also in furtherance of its objectives we recommend that the agency should maintain a continuous review on the matter of feed grains import policy. The responsibility for administration of import permits should remain with the Canadian Wheat Board. However, the feeders in Eastern Canada and British Columbia have an interest in this policy and a close liaison should be maintained at all times by the agency with the government and the Canadian Wheat Board.

Your Committee recommends that the legislation establishing the agency should also make provision for the establishment of an Advisory Committee to assist the agency which would be established and function along the same lines as the Advisory Committee to the Canadian Wheat Board. This Advisory Committee should contain at least a majority of representatives of feeders in Eastern Canada and British Columbia.

CHAPTER IV—GENERAL RECOMMENDATIONS

Your Committee has carefully considered and evaluated all evidence presented to it, and on the basis of the evidence has made the following findings and respectfully submits the following recommendations arising therefrom.

1. The Canadian Wheat Board is carrying out its responsibility of marketing feed grains grown in the prairie provinces in a satisfactory manner. The Board has adequately discharged its duty of assuring that adequate supplies of feed grains, properly priced, are available at the Lakehead and in British Columbia to meet the needs of the feeders in eastern Canada and British Columbia.

2. Since its inception in 1941 the feed freight assistance policy has operated effectively and in the interest of agriculture nationally. There are certain anomalies in the operation of the policy which should be investigated and corrected.

Your Committee received evidence that feeders in British Columbia, because of the mechanics of the feed freight assistance policy, are required to pay approximately \$1.50 per ton more than the \$4.40 per ton net freight cost to the British Columbia feeder. Evidence was also received of wide variations in the net freight paid by feeders in different locations in the Atlantic provinces. Your Committee finds that much more research should be made, and the necessary amendments to the policy should be effected which will implement a policy which will, in operation, ensure that feeders in eastern Canada and British Columbia will be able to purchase feed grain at approximately the same cost, irrespective of where the purchaser resides, having regard, always, to isolated cases in particular regions.

Recommendation: That the agency be given the responsibility of investigating thoroughly the operation of the present feed freight assistance policy with a view to correcting anomalies where they exist and keeping the policy up to date in line with changing conditions such as transportation rates, shipping methods, etc. The agency should be charged with the administration, including the duty of constant review, of this policy so that it may operate to the end that the net freight paid by purchasers in eastern Canada and British Columbia will be approximately the same, irrespective of the location of the purchasers, excepting feeders in extremely isolated locations.

3. The institution of a provisional pricing policy for oats and barley by the Canadian Wheat Board in 1963 has proved effective in operation.

Recommendation: That this policy be continued.

4. The policy of providing payment of storage charges by the government on western feed grains in licensed eastern elevators during the period October 15th (September 15th at Halifax) to April 15th has operated effectively to assist in the stabilization of the price of feed grains in eastern Canada.

Recommendation: That this policy be continued.

5. In eastern Canada there is an area of handling and marketing of western feed grains which gives rise to the suspicion that on occasions the price paid for such grain by eastern feeders may be influenced by factors other than the free operation of the market. This area exists between the in store position in eastern terminals and the eventual purchase by the eastern feeder. Your Committee has given full weight to representations in favour of the free operation of the market, assisted as it is by present government policies designed to minimize freight and storage costs and stabilize the price of western feed grains in the hands of eastern and British Columbia feeders. On the other hand there is strong evidence of instability in feed grain prices in eastern Canada which cannot, when considered in the context of government policies, be reconciled on any rational grounds of market operation.

Recommendation: That the agency be given such authority, including the power to buy feed grains, to place them in storage and to ensure their availability in sufficient quantities at locations where they will be required, and to sell the grains. This will ensure maximum price stability and will prevent speculative or excess profits being charged to the feeders in eastern Canada.

6. The provisional pricing policy and the policy of paying storage charges on western feed grains in licensed eastern elevators has successfully operated to guarantee an adequate movement of feed grains eastward from the lake-head prior to the close of navigation in the fall. There is, however, a problem arising out of the necessity to provide adequate and equitable storage for these western feed grains in eastern locations. The rapid increase in production of Ontario corn and the acceptance of this grain by feeders in Quebec and the Atlantic provinces has intensified the problem of handling and storage in eastern elevators. Referring for the moment only to the matter of western feed grains your Committee is satisfied that there is sufficient storage space available in most eastern locations with the exception of certain areas where facilities are inadequate.

Handling and storage facilities at Montreal are inadequate to handle Ontario corn at the time it is marketed. Your Committee recognizes the need of adequate handling and storage facilities for western grains, but is also mindful of the legitimate requests of Ontario corn producers for handling and storage facilities in order to supply their market in Quebec and the Atlantic provinces.

Recommendation: That provision of adequate handling and storage facilities for all feed grains, irrespective of the point of origin is an integral part of the national feed grain policy and this whole matter should be referred to the agency for the purpose of determining the adequacy of such facilities, not only for the present but for the future. Such agency should be charged with the responsibility of recommending the construction of such new facilities as may be required as well as ensuring the efficient and equitable handling of all feed grains produced in Canada.

7. The growing of commercial corn in Ontario has expanded rapidly in the wake of constantly improving methods of handling and better varieties of corn. There is a parallel growth in the acceptance of corn for feed purposes.

It is expected that there will be a continuing expansion of corn production in Ontario in future years. Your Committee has already referred to the inadequacy of facilities for handling and storing Ontario corn. Some of the problems experienced by Ontario corn producers in the matter of handling and storage of their produce could be alleviated by the construction of local or county elevators, either by private industry or by producer cooperatives. This type of storage would be the most economical and efficient method of overcoming the problems arising from the glut of corn that comes on the market at the time of harvest. Canadian corn production is centred in southwestern Ontario and this grain is moved to markets in Quebec and the Atlantic provinces by rail. With sufficient storage capacity in the production area it could be moved easterly to market during the winter months in an orderly fashion.

Present tax provisions do not encourage the construction of facilities for conditioning, elevating and storing corn. The Committee is of the opinion that such construction should be encouraged by every means possible.

Recommendation: That appropriate amendments be made in the Income Tax Act to permit owners of such facilities to write off the capital cost thereof at accelerated rates of depreciation. Such amendments should not, of course, be limited to facilities for corn in southwestern Ontario, but should apply nationally to encourage the construction of grain conditioning and storage facilities wherever they might be built.

8. Feeders in eastern Ontario, Quebec and the Atlantic provinces should have the benefit of freight assistance with respect to Ontario feed grains. These feeders are presently at a disadvantage to the extent that they wish to feed Ontario corn. Corn is not available to them from the prairie provinces and if they wish to purchase it they must do so at a price which does not reflect the freight assistance policy which applies to western grain. Feed freight assistance on Ontario feed grains would also place Ontario feed grain growers in a more competitive position with respect to the importation of feed grains, particularly corn in to the markets of Quebec and the Atlantic provinces. The point at which feed freight assistance should be applicable on Ontario feed grains has given your Committee some concern. Producers in the prairie provinces pay freight on feed grain from the farm to the lakehead. It would seem inequitable to provide feed freight assistance on Ontario feed grains from the point of production. Your Committee is of the opinion that the Ontario producer should be required to pay part of the transportation costs on feed grain shipped to eastern Ontario, Quebec and the Atlantic provinces.

Your Committee is also aware of the anomaly which might arise insofar as western feed grains are shipped in to southwestern Ontario with the benefit of the freight assistance program. If the recommended policy were to provide for payment of freight assistance from the southwestern Ontario locations to destination it might result in feed wheat, oats and barley being shipped out of this area at the same time as western feed wheat, oats and barley is brought in under the same policy.

Your Committee is of the opinion that implementations of a feed freight assistance program on Ontario grains so that transportation costs on feed grain produced in Ontario and shipped from an Ontario terminal to eastern Ontario, Quebec and the Atlantic provinces will be no higher than the transportation costs paid on feed grain shipped to the same destinations from the lakehead will assist the movement of Ontario corn to these eastern locations without creating the anomalous situation referred to insofar as the overall marketing of feed wheat, oats and barley is concerned.

Recommendation: That the feed freight assistance policy be enlarged to cover feed grains produced in Ontario and destined for points in eastern

Ontario, Quebec and the Atlantic provinces, and that such assistance be applicable so that transportation costs on such feed grain shipped from an Ontario terminal to eastern Ontario, Quebec and the Atlantic provinces will be no higher than the transportation costs paid on feed grain shipped to the same destination from the lakehead under government freight assistance.

Respectfully submitted,

RUSSELL C. HONEY,
Chairman.

MINUTES OF PROCEEDINGS

THURSDAY, March 11, 1965.
(21)

The Standing Committee on Agriculture and Colonization met this day IN CAMERA at 10:00 o'clock a.m. The Chairman, Mr. Russell C. Honey, presided.

Members present: Messrs. Armstrong, Béchard, Beer, Brown, Cardiff, Choquette, Crossman, Cyr, Danforth, Doucett, Drouin, Forbes, Forest, Gauthier, Honey, Horner (*Acadia*), Howe (*Wellington-Huron*), Jorgenson, Konants (Mrs.), Laverdière, Madill, McBain, Mullally, Nasserden, O'Keefe, Olson, Saltsman, Temple, Thomas, Watson (*Châteauguay-Huntingdon-La-prairie*), Whelan (31).

The Chairman, on behalf of the Subcommittee on Agenda and Procedure, submitted a "Draft Report to the House". The Committee proceeded to review the report paragraph by paragraph.

The consideration of the said report continuing, at 10:50 o'clock a.m., the Committee adjourned to 5:00 o'clock p.m. this day.

AFTERNOON SITTING

(22)

At 5:00 o'clock p.m., the Committee resumed, Mr. Honey presiding.

Members present: Messrs. Alkenbrack, Béchard, Berger, Brown, Cardiff, Choquette, Cyr, Danforth, Drouin, Forbes, Forest, Gauthier, Gendron, Honey, Howe (*Wellington-Huron*), Jorgenson, Kennedy, Langlois, Matte, McBain, McIntosh, Muir (*Lisgar*), Mullaly, Nasserden, Rochon, Temple, Vincent, Webb, Whelan (29).

Mr. Danforth suggested that the Committee adjourn to Tuesday, March 16, 1965, so that the members could have more time to study the Draft Report and to review the evidence presented to the Committee.

Mr. Danforth's request was *agreed* to by a show of hands, YEAS: 26; NAYS: 1.

At 5:20 o'clock p.m., the Chairman adjourned the Committee to Tuesday, March 16, 1965, at 9:30 a.m.

TUESDAY, March 16, 1965.
(23)

The Standing Committee on Agriculture and Colonization met this day IN CAMERA at 9:35 o'clock a.m. The Chairman, Mr. Russell C. Honey, presided.

Members present: Messrs. Armstrong, Asselin (*Notre-Dame-de-Grâce*), Asselin (*Richmond-Wolfe*), Béchard, Beer, Berger, Boulanger, Brown, Cardiff, Choquette, Crossman, Cyr, Danforth, Doucett, Groos, Honey, Horner

(Acadia), Howe (Wellington-Huron), Jorgenson, Konantz (Mrs.), Laverdière, Loney, Madill, Matte, McBain, Mullally, Nasserden, O'Keefe, Olson, Peters, Pilon, Rochon, Saltsman, Tardif, Thomas, Tucker, Vincent, Watson (Assiniboia), Watson (Châteauguay-Huntingdon-Laprairie), Webb, Whelan (41).

The Committee resumed its consideration of a "Draft Board Report to the House".

The examination of the said report being concluded, on motion of Mr. Asselin (*Richmond-Wolfe*), seconded by Mr. Berger, it was

Resolved,—That the report be adopted as amended and that the Chairman present it as the Committee's Fourth Report to the House.

On motion of Mr. Mullally, seconded by Mr. McBain, it was further

Resolved,—That the Committee print, in booklet form, 5000 bilingual copies of its Report to the House.

At 12:10 o'clock p.m., the Chairman adjourned the Committee to the call of the Chair

D. E. Levesque,
Clerk of the Committee.

(The Fourth Report to the House is printed in a separate bilingual booklet).



HOUSE OF COMMONS
CANADA

REPORT

of the

STANDING COMMITTEE

ON

Agriculture and Colonization

of the

HOUSE OF COMMONS

on

Matters Relating To

PRICES OF
FEED GRAINS

Presented by

RUSSELL C. HONEY, Esq., Chairman

•

MARCH 22, 1965





HOUSE OF COMMONS
CANADA

REPORT

of the

STANDING COMMITTEE

ON

Agriculture and Colonization

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on

Matters Relating To

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RUSSELL C. HONEY, *Esq.*, Chairman

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MARCH 22, 1965

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1965

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MARCH 22, 1965.

The Standing Committee on Agriculture and Colonization has the honour to present its

FOURTH REPORT

Your Committee, pursuant to its Order of Reference of June 24, 1964, submits its findings, observations and recommendations to the House of Commons in the annexed document.

A copy of the Committee's Minutes of Proceedings and Evidence (*Issues Nos. 8 to 17, inclusive*) is appended herewith.

Respectfully submitted,

RUSSELL C. HONEY,
Chairman.

CHAPTER I—GENERAL

Pursuant to its Order of Reference dated June 24, 1964, your Committee had before it the following matter for consideration and report:

"That the Standing Committee on Agriculture and Colonization be empowered to examine and enquire forthwith into all matters arising out of and relating to the difference between the prices received for Feed Grain by the producers of the Prairie Provinces of Canada and the price paid by livestock feeders in Eastern Canada and British Columbia, and that the evidence adduced before this Committee in the Twenty-sixth Parliament be referred to the Committee, and that the Committee have leave to receive such evidence as part of the said examination".

During the First Session of the Twenty-sixth Parliament your Committee held seven meetings and heard evidence from the following witnesses on the aforementioned matter. The witnesses heard were:

1. The Minister of Agriculture and his officials.
2. The Assistant Chief Commissioner and officials of the Canadian Wheat Board.
3. The Chief Commissioner and officials of the Board of Grain Commissioners.
4. Officials of The Canadian Federation of Agriculture, The Catholic Farmers' Union (U.C.C.) and The Coopérative Fédérée.
5. Officials of The Winnipeg Grain Exchange.
6. Officials of The Association for the Development and Protection of Eastern Agriculture Inc.
7. Dr. F. W. Walsh, Maritime Cooperative Services Limited.

In the course of its continued inquiry, respecting Feed Grain prices in the Second Session of the Twenty-sixth Parliament, your Committee held ten meetings and heard evidence from:

1. Officials of the Montreal Corn Exchange Assoc.
2. Mr. Charles E. S. Walls of the British Columbia Federation of Agriculture.
3. Officials of the National Farmers Union.
4. Mr. Harold H. Lasher, Lasher's Feed and Seeds Limited, Napanee, Ontario.
5. Officials from the Ontario Retail Feed Dealers Association.
6. Officials from the Grain and Grain Products Section, Metro Toronto Board of Trade.
7. Officials from the Ontario Elevators Association.
8. Officials from the Association of Feed Manufacturers (Eastern Division), Montreal, Que.
9. Mr. William A. Flemming, Feed Merchant, Truro, N.S.
10. Mr. Cyrice Godbout from the Grand Falls Milling Company, Grand Falls, N.B.
11. Officials from the Independent Corn Growers Association of Ontario.
12. Officials from The Ontario Commercial Corn Committee.

13. Mr. David Kirk, Secretary of the Canadian Federation of Agriculture.
14. Mr. C. R. Phillips, Program Co-Ordinator, Canadian Federation of Agriculture.

Your Committee wishes to express its appreciation to all those who presented evidence and to its Clerk, Mr. D. E. Levesque and personnel of the Committees Branch who have so greatly assisted the Committee in the performance of its duties.

In view therefore of the present status of, and having completed its inquiry pursuant to the said Order of Reference, your Committee reports:

CHAPTER II—INTRODUCTION

Freight assistance on feed grains grown in the prairie provinces and forwarded to British Columbia and Eastern Canada was authorized in 1941. This policy had a twofold objective, namely, to increase the markets for western feed grains and to assist feeders in Eastern Canada and British Columbia to obtain western grain at reduced freight rates. The policy had also had the effect of assisting growers of feed grains in the prairie provinces to meet competition from imported grain, particularly American corn.

Changes were made in the policy from time to time to meet changes in transportation cost but the essential characteristics of the policy have been maintained.

The policy was based on rail transportation and as a result, as pointed out by the Royal Commission on Transportation in 1961, there had been no competition between different methods of transportation.

In August, 1963, a revised policy was announced by the government. The changes implemented by this revised policy were:

- (1) a deferred or provisional pricing system on oats and barley for domestic use similar to the pricing policy then in effect for feed wheat was implemented by the Canadian Wheat Board.
- (2) The payment of storage charges on western feed grains in licensed eastern elevators during the period October 15th to April 15th, in each year.
- (3) The freight assistance policy was modified to allow for truck transportation of grain and to provide for assistance related to the cost of moving grain to the nearest eastern elevator and additional assistance related to the cost of moving grain by the lowest cost method from such elevators to local feed mills or merchants.

Further revisions to the feed freight assistance policy were announced in July and August of 1964. These announcements, briefly, provided for the zoning of areas in Eastern Canada and rates of assistance for each zone were established on a flat rate basis, by whatever combination of water, rail or truck movement was used with a view to achieving the position where there would be no balance of transportation cost greater than \$2.00 per ton by the lowest cost method of transporting grain. Separate and higher levels of assistance applied on millfeeds and screenings transported by rail or truck to certain destinations in the Atlantic provinces. Provision was also made for storage payments at Halifax to commence September 15th rather than October 15th, which latter date applied elsewhere in Eastern Canada.

CHAPTER III—CANADIAN FEED GRAINS AGENCY

Your Committee recommends the establishment of an agency, board or commission (hereinafter called an "agency") to be known as the Canadian Feed Grains Agency, or such other name as may be determined by parliament. This agency should be created by statutory enactment and should be required

to report to parliament annually. The agency should consist of not less than three and not more than five members to be appointed by the Governor in Council. The agency should be a body corporate having capacity to contract and to sue and be sued in the name of the agency.

The agency should be incorporated with the object of administering a feed grain policy for the benefit of Canadian feeders especially those in Eastern Canada and British Columbia, and having regard to any constitutional factors should possess the following powers:

- (1) To administer the feed freight assistance policy including the duties of constant review of the operation of the policy, and to make the appropriate recommendations from time to time to the government to ensure the most efficient and equitable operation of the policy in the national interest.
- (2) To administer the feed grain storage assistance policy, including the duties of constant review of the operation of the policy, and to make appropriate recommendations from time to time to the government to ensure the most efficient and equitable operation of the policy in the national interest.
- (3) To buy, store, transport and sell feed grains which are for the use of feeders in Eastern Canada and British Columbia.
- (4) To act to ensure that there are adequate handling and storage facilities in Eastern Canada and British Columbia and to advise the government in respect thereto.

Your Committee recommends that the agency should keep the whole matter of feed grain policy under constant study with a view to advising the government with respect to the operation of existing policies and the formulation of new policies.

The agency should, in particular, give careful study to the whole matter of feed grain policy, in all its aspects, before exercising any of the powers given to it under item (3) above. Your Committee is of the opinion that the authority given to the agency may, in itself, be sufficient to ensure price stability and to eliminate speculative and excessive margins of profit. However, we wish to make it abundantly clear that the agency should not hesitate to exercise the powers given to it under item (3) above if it deems it in the interest of feeders in Eastern Ontario and British Columbia to do so.

Your Committee recommends that it is desirable for the agency, in the furtherance of its objectives, to require every feed mill in Eastern Canada and British Columbia to supply the agency with periodic reports, not less often than once each week, in which would be set out the daily selling prices of feeds. This information could be compiled by the agency and made available to feeders in Eastern Canada and British Columbia who would then know if the prices being paid at any particular time are competitive in the respective regions.

Your Committee recommends that the feed freight assistance policy and the feed storage policy should be authorized in the legislation which sets up the agency. It is desirable to give some degree of permanency to these policies which are presently implemented through Order-in-Council and annual inclusion of expenditures in the Appropriations Bill. Adjustments in either policy as recommended by the agency from time to time could then be made by Order-in-Council passed under the authority of the enacting legislation.

Also in furtherance of its objectives we recommend that the agency should maintain a continuous review on the matter of feed grains import policy. The responsibility for administration of import permits should remain with the Canadian Wheat Board. However, the feeders in Eastern Canada and British Columbia have an interest in this policy and a close liaison should be main-

tained at all times by the agency with the government and the Canadian Wheat Board.

Your Committee recommends that the legislation establishing the agency should also make provision for the establishment of an Advisory Committee to assist the agency which would be established and function along the same lines as the Advisory Committee to the Canadian Wheat Board. This Advisory Committee should contain at least a majority of representatives of feeders in Eastern Canada and British Columbia.

CHAPTER IV—GENERAL RECOMMENDATIONS

Your Committee has carefully considered and evaluated all evidence presented to it, and on the basis of the evidence has made the following findings and respectfully submits the following recommendations arising therefrom.

1. The Canadian Wheat Board is carrying out its responsibility of marketing feed grains grown in the prairie provinces in a satisfactory manner. The Board has adequately discharged its duty of assuring that adequate supplies of feed grains, properly priced, are available at the Lakehead and in British Columbia to meet the needs of the feeders in Eastern Canada and British Columbia.
2. Since its inception in 1941 the feed freight assistance policy has operated effectively and in the interest of agriculture nationally. There are certain anomalies in the operation of the policy which should be investigated and corrected.

Your Committee received evidence that feeders in British Columbia, because of the mechanics of the feed freight assistance policy, are required to pay approximately \$1.50 per ton more than the \$4.40 per ton net freight cost to the British Columbia feeder. Evidence was also received of wide variations in the net freight paid by feeders in different locations in the Atlantic provinces. Your Committee finds that much more research should be made, and the necessary amendments to the policy should be effected which will implement a policy which will, in operation, insure that feeders in eastern Canada and British Columbia will be able to purchase feed grain at approximately the same cost, irrespective of where the purchaser resides, having regard, always, to isolated cases in particular regions.

RECOMMENDATION:—That the agency be given the responsibility of investigating thoroughly the operation of the present feed freight assistance policy with a view to correcting anomalies where they exist and keeping the policy up to date in line with changing conditions such as transportation rates, shipping methods, etc. The agency should be charged with the administration, including the duty of constant review, of this policy so that it may operate to the end that the net freight paid by purchasers in Eastern Canada and British Columbia will be approximately the same, irrespective of the location of the purchasers, excepting feeders in extremely isolated locations.

3. The institution of a provisional pricing policy for oats and barley by the Canadian Wheat Board in 1963 has proved effective in operation.

RECOMMENDATION:—That this policy be continued.

4. The policy of providing payment of storage charges by the government on western feed grains in licensed eastern elevators during the period October 15th (September 15th at Halifax) to April 15th has operated effectively to assist in the stabilization of the price of feed grains in Eastern Canada.

RECOMMENDATION:—That this policy be continued.

5. In eastern Canada there is an area of handling and marketing of western feed grains which give rise to the suspicion that on occasions the price paid for such grain by eastern feeders may be influenced by factors other than the free operation of the market. This area exists between the in store position in eastern terminals and the eventual purchase by the eastern feeder. Your Committee has given full weight to representations in favour of the free operation of the market, assisted as it is by present government policies designed to minimize freight and storage costs and stabilize the price of western feed grains in the hands of eastern and British Columbia feeders. On the other hand there is strong evidence of instability in feed grain prices in Eastern Canada which cannot, when considered in the context of government policies, be reconciled on any rational grounds of market operation.

RECOMMENDATION:—That the agency be given such authority, including the power to buy feed grains, to place them in storage and to ensure their availability in sufficient quantities at locations where they will be required and to sell the grains. This will ensure maximum price stability and will prevent speculative or excess profits being charged to the feeders in Eastern Canada.

6. The provisional pricing policy and the policy of paying storage charges on western feed grains in licensed eastern elevators has successfully operated to guarantee an adequate movement of feed grains eastward from the lakehead prior to the close of navigation in the fall. There is, however, a problem arising out of the necessity to provide adequate and equitable storage for these western feed grains in eastern locations. The rapid increase in production of Ontario corn and the acceptance of this grain by feeders in Quebec and the Atlantic provinces has intensified the problem of handling and storage in eastern elevators.

Referring for the moment only to the matter of western feed grains your Committee is satisfied that there is sufficient storage space available in most eastern locations with the exception of certain areas where facilities are inadequate.

Handling and storage facilities at Montreal are inadequate to handle Ontario corn at the time it is marketed. Your Committee recognizes the need of adequate handling and storage facilities for western grains, but is also mindful of the legitimate requests of Ontario corn producers for handling and storage facilities in order to supply their market in Quebec and the Atlantic provinces.

RECOMMENDATION:—That provision of adequate handling and storage facilities for all feed grains, irrespective of the point of origin is an integral part of the national feed grain policy and this whole matter should be referred to the agency for the purpose of determining the adequacy of such facilities, not only for the present but for the future. Such agency should be charged with the responsibility of recommending the construction of such new facilities as may be required as well as ensuring the efficient and equitable handling of all feed grains produced in Canada.

7. The growing of commercial corn in Ontario has expanded rapidly in the wake of constantly improving methods of handling and better varieties of corn. There is a parallel growth in the acceptance of corn for feed purposes. It is expected that there will be a continuing expansion of corn production in Ontario in future years.

Your Committee has already referred to the inadequacy of facilities for handling and storing Ontario corn. Some of the problems experienced by Ontario corn producers in the matter of handling and storage of their produce could be alleviated by the construction of local or county elevators, either by private industry or by producer cooperatives. This type of storage would be the most economical and efficient method of overcoming the problems arising from the glut of corn that comes on the market at the time of harvest. Canadian corn production is centered in south-western Ontario and this grain is moved to markets in Quebec and the Atlantic provinces by rail. With sufficient storage capacity in the production area it could be moved easterly to market during the winter months in an orderly fashion.

Present tax provisions do not encourage the construction of facilities for conditioning, elevating and storing corn. The Committee is of the opinion that such construction should be encouraged by every means possible.

RECOMMENDATION:—That appropriate amendments be made in the Income Tax Act to permit owners of such facilities to write off the capital cost thereof at accelerated rates of depreciation. Such amendments should not, of course, be limited to facilities for corn in south-western Ontario, but should apply nationally to encourage the construction of grain conditioning and storage facilities wherever they might be built.

8. Feeders in eastern Ontario, Quebec and the Atlantic provinces should have the benefit of freight assistance with respect to Ontario feed grains. These feeders are presently at a disadvantage to the extent that they wish to feed Ontario corn. Corn is not available to them from the prairie provinces and if they wish to purchase it they must do so at a price which does not reflect the freight assistance policy which applies to western grain. Feed freight assistance on Ontario feed grains would also place Ontario feed grain growers in a more competitive position with respect to the importation of feed grains, particularly corn in to the markets of Quebec and the Atlantic provinces. The point at which feed freight assistance should be applicable on Ontario feed grains has given your Committee some concern. Producers in the prairie provinces pay freight on feed grain from the farm to the lakehead. It would seem inequitable to provide feed freight assistance on Ontario feed grains from the point of production. Your Committee is of the opinion that the Ontario producer should be required to pay part of the transportation costs on feed grain shipped to eastern Ontario, Quebec and the Atlantic provinces.

Your Committee is also aware of the anomaly which might arise insofar as western feed grains are shipped in to south-western Ontario with the benefit of the freight assistance program. If the recommended policy were to provide for payment of freight assistance from the south-western Ontario locations to destination it might result in feed wheat, oats and barley being shipped out of this area at the same time as western feed wheat, oats and barley is brought in under the same policy.

Your Committee is of the opinion that implementations of a feed freight assistance program on Ontario grains so that transportation costs on feed grain produced in Ontario shipped from an Ontario terminal to eastern Ontario, Quebec and the Atlantic provinces will be no higher than the transportation costs paid on feed grain shipped to the same destinations from the lakehead will assist the movement

of Ontario corn to these eastern locations without creating the anomalous situation referred to insofar as the overall marketing of feed wheat, oats and barley is concerned.

RECOMMENDATION:—That the feed freight assistance policy be enlarged to cover feed grains produced in Ontario and destined for points in eastern Ontario, Quebec and the Atlantic provinces, and that such assistance be applicable so that transportation costs on such feed grain shipped from an Ontario terminal to eastern Ontario, Quebec and the atlantic provinces will be no higher than the transportation costs paid on feed grain shipped to the same destination from the lakehead under Government freight assistance.

Respectfully submitted,

RUSSELL C. HONEY,
Chairman.

au transport de leurs produits, ils seraient plus en mesure de concurrencer les importateurs de grains de provenance, notamment les importateurs de maïs vers les marchés du Québec et des provinces de l'Atlantique. Le point d'application du programme de subventions au transport des grains de provenance de l'Ontario a causé du souci au Comité. Les producteurs des provinces des Prairies payent le transport des grains de provenance à partir de la ferme jusqu'à la tête des Lacs. Il ne semblerait pas équitable d'accorder des subventions au transport des grains de provenance de l'Ontario à partir du point de production. Le Comité est d'avis que le producteur de l'Ontario devrait être tenu de payer une partie des frais de transport des grains de provenance expédiés vers l'Est de l'Ontario, la province de Québec et les provinces de l'Atlantique. Le Comité se rend compte aussi de l'anomalie qui pourrait se produire si l'on accordait aux producteurs de l'Ouest l'avantage du programme d'aide au transport des céréales de provenance pour expédier leurs produits vers le sud-ouest de l'Ontario. Si le programme proposé devait prévoir le paiement de subvention au transport de marchandises à partir d'endroits situés dans le sud-ouest de l'Ontario jusqu'à destination, il pourrait en résulter que l'on expédie du blé, de l'avoine et de l'orge de provenance hors de cette région en même temps que l'on y fait venir les mêmes grains de provenance en vertu du même programme.

Le Comité est d'avis que la mise en œuvre d'un programme d'aide au transport des grains de provenance de l'Ontario, établi de façon que les frais de transport des grains de provenance produits en Ontario et expédiés d'un éleveur terminus de l'Ontario vers l'Est de l'Ontario, le Québec et les provinces de l'Atlantique ne soient pas plus élevés que les frais de transport payés à l'égard des grains de provenance expédiés aux mêmes endroits à partir de la tête des Lacs, transporterait du maïs de l'Ontario à ces régions de l'Est sans créer la situation anormale dont il a été question en ce qui concerne la mise sur le marché du blé, de l'avoine et de l'orge de provenance en général.

RECOMMANDATION: Que le programme d'aide au transport des grains de provenance soit amplifié de manière à englober les grains de provenance de l'Ontario destinés à des localités de l'Est de l'Ontario, de la province de Québec et des provinces de l'Atlantique, et qu'une telle aide soit applicable de façon que le coût du transport de ces grains de provenance expédiés d'un terminus de l'Ontario vers l'Est de l'Ontario, la province de Québec et les provinces de l'Atlantique ne soit pas plus élevé que le coût du transport payé pour les grains de provenance expédiés de la tête des Lacs aux mêmes endroits, moyennant l'aide du gouvernement pour le transport-marchandises.

Respectueusement soumis,

Le Président,
RUSSELL C. HONEY.

manutention et d'entreposage leur permettant d'approvisionner leur marché du Québec et des provinces de l'Atlantique.

RECOMMANDATION:—Que l'établissement de moyens suffisants de manutention et d'entreposage pour tous les grains de provenance, indépendamment du point d'origine, fasse partie intégrante de la politique nationale en matière de grains de provenance et que cette question soit déferée à l'organisme afin qu'il détermine si ces installations sont suffisantes, non seulement actuellement, mais pour l'avenir. Cet organisme devrait être chargé de recommander la construction de ces nouvelles installations, selon les besoins, et d'assurer la manutention efficace et convenable de tous les grains de provenance produits au Canada.

7. La culture du maïs commercial en Ontario s'est développée rapidement à la suite des progrès constants des méthodes de manutention et de la production de meilleures variétés de maïs. Le maïs s'implante également de plus en plus comme aliment du bétail. On s'attend qu'il y ait une expansion continue de la production de maïs en Ontario dans les années à venir.

Le Comité a déjà mentionné l'insuffisance des moyens de manutention et d'entreposage du maïs de l'Ontario.

Certaines des difficultés éprouvées par les producteurs de maïs de l'Ontario pour ce qui est de la manutention et l'emmagasinement de leur produit pourraient être atténuées si l'industrie privée ou des coopératives de producteurs construisaient des élevateurs locaux ou régionaux. Ce genre d'emmagasinement constituerait la méthode la plus économique et la plus efficace pour surmonter les difficultés résultant de la surabondance de maïs sur le marché au temps de la récolte. Le maïs, dont le centre de production au Canada est situé dans le sud-ouest de l'Ontario, est transporté par chemin de fer aux marchés du Québec et des provinces de l'Atlantique. S'il existait assez d'entrepôts dans la région de production, on pourrait transporter méthodiquement le maïs vers les marchés de l'Est au cours des mois d'hiver.

A l'heure actuelle, les dispositions fiscales ne favorisent pas la construction d'installations destinées au conditionnement, à la mise en élevateur et à l'emmagasinement du maïs. Le Comité est d'avis que la construction d'installations de ce genre devrait être encouragée par tous les moyens possibles.

RECOMMANDATION: Que des modifications appropriées soient apportées à la loi de l'impôt sur le revenu afin de permettre aux propriétaires de ces installations de déduire leurs frais de premier établissement à l'égard de ces installations selon un rythme d'amortissement accéléré. Il va sans dire que l'application de telles modifications ne devrait pas être restreinte aux installations servant au maïs du sud-ouest de l'Ontario, mais elle devrait être de portée nationale afin de favoriser la construction d'installations de conditionnement et d'emmagasinement des grains là où la chose est possible.

8. Les producteurs de bétail de l'Est de l'Ontario, du Québec et des provinces de l'Atlantique devraient bénéficier de l'aide au transport des grains de provenance provenant de l'Ontario. Ces producteurs sont actuellement désavantagés dans une certaine mesure lorsqu'ils veulent donner à leurs animaux du maïs provenant de l'Ontario. Ils ne peuvent obtenir du maïs des provinces des Prairies et, s'ils veulent en acheter, ils doivent le faire à un prix qui ne correspond pas au programme d'aide au transport qui s'applique au grain de l'Ouest. Si l'on accordait aux producteurs de grains de provenance de l'Ontario des subventions

3. Le régime de prix provisoires pour l'avoine et l'orge établi par la Commission canadienne du blé en 1963, s'est révélé efficace dans son application.

RECOMMANDEMENT:—Que ce régime continue.

4. L'acquisition par l'État des frais d'entreposage du grain de provenance de l'Ouest détenus dans les éleveurs autorisés (pour Halifax, du 15 septembre) au 15 avril a eu de très bons résultats quant à la stabilisation du prix des grains de provenance dans l'Est du Canada.

RECOMMANDEMENT:—Que ce régime soit maintenu.

5. Dans l'Est du Canada, il y a un moment où la maintenance et la vente des grains de provenance de l'Ouest font soupçonner que, parfois, le prix payé pour ces grains par l'éleveur de l'Est peut être influencé par des facteurs autres que le libre fonctionnement du marché. Cela se produit entre le terminus de l'Est et l'endroit où l'éleveur de l'Est fait l'achat. Le Comité a bien étudié les observations en faveur du libre fonctionnement du marché soutenu par les mesures que le gouvernement a établies en vue de réduire au minimum le coût du transport et de l'entreposage et de stabiliser le prix des grains de provenance de l'Ouest vendus aux éleveurs de l'Est et de la Colombie-Britannique. D'un autre côté, des preuves convaincantes attestent une instabilité des prix des grains de provenance dans l'Est du Canada, instabilité qui ne peut se concilier logiquement avec le fonctionnement du marché, si elle est considérée dans le contexte des mesures gouvernementales.

RECOMMANDEMENT:—Que l'organisme soit autorisé à acheter des grains de provenance, à les entreposer, à assurer qu'ils soient disponibles en quantité suffisante aux endroits où on en aura besoin et à les vendre. Une stabilité maximum des prix sera alors assurée et la spéculation ou la réalisation de profits exorbitants au détriment des éleveurs de l'Est du Canada sera évitée.

6. L'établissement de prix provisoires et l'acquisition des frais d'entreposage des grains de provenance de l'Ouest détenus dans des éleveurs autorisés de l'Est ont eu pour effet d'assurer qu'ils soient disponibles venable des grains de la tête des Lacs vers l'Est, avant la fermeture de la navigation en automne. Toutefois, la nécessité d'assurer dans les régions de l'Est un entreposage approprié pour les grains de provenance de l'Ouest crée un problème.

L'augmentation rapide de la production de maïs en Ontario et la faveur qu'il gagne auprès des éleveurs du Québec et des provinces de l'Atlantique ont intensifié le problème de la maintenance et de l'entreposage dans les éleveurs de l'Est.

En ce qui concerne seulement les grains de provenance de l'Ouest, le Comité est convaincu qu'il y a suffisamment d'espace disponible pour l'entreposage dans l'Est en grande partie, à l'exception de certaines régions où les installations sont insuffisantes. Les moyens de maintenance et d'entreposage de Montréal sont insuffisants en ce qui concerne la maïs de l'Ontario au moment de la vente. Le Comité reconnaît la nécessité de moyens adéquats de maintenance et d'entreposage des grains de l'Ouest, mais il tient compte aussi des demandes légitimes des producteurs de maïs de l'Ontario en ce qui a trait aux moyens de

qui sont présentement appliqués en vertu d'un décret du conseil et au moyen de l'inclusion annuelle des dépenses dans la loi des subsides. On pourrait ensuite, au moyen de décrets du conseil rendus en vertu de la loi, apporter à l'un ou l'autre des programmes les modifications recommandées par l'agence de temps à autre.

Nous recommandons que l'agence, toujours en vue d'atteindre ses objectifs, fasse une revue constante de la ligne de conduite relative à l'importation des grains de provenance. La question des permis d'importation devrait continuer de relever de la Commission canadienne du blé. Cependant, les éleveurs de l'Est du Canada et de la Colombie-Britannique y sont intéressés et l'agence devrait, sous ce rapport, demeurer en liaison étroite avec le gouvernement et avec la Commission canadienne du blé.

Le Comité recommande que la mesure législative créant l'agence prévoit aussi la formation d'un Comité consultatif qui, chargé d'aider l'agence, fonctionnerait de la même façon que le Comité consultatif de la Commission canadienne du blé. Ce Comité consultatif devrait compter parmi ses membres au moins une majorité des représentants des éleveurs de l'Est du Canada et de la Colombie-Britannique.

CHAPITRE IV—RECOMMANDATIONS GÉNÉRALES

Le Comité a soigneusement étudié et évalué tous les témoignages qui lui ont été soumis et, se fondant sur ces témoignages, a tiré les conclusions ci-après énumérées et soumet respectueusement les recommandations suivantes qui en découlent:

1. La Commission canadienne du blé s'acquitte d'une manière satisfaisante de sa responsabilité de trouver des débouchés pour le grain de provenance produit dans les provinces des Prairies. La Commission a bien rempli son devoir, qui est de veiller à ce que des quantités suffisantes de grains de provenance à des prix raisonnables soient disponibles à la tête des Lacs et en Colombie-Britannique pour satisfaire aux besoins des éleveurs de l'Est du Canada et de la Colombie-Britannique.

2. Depuis son établissement en 1941, le programme d'assistance au transport du grain de provenance a fonctionné avec efficacité et dans l'intérêt de l'agriculture de tout le pays. Il y a dans le programme certaines anomalies qu'il faudrait étudier et corriger.

Le Comité a appris que, à cause des modalités du programme d'aide au transport des céréales de provenance, les éleveurs de la Colombie-Britannique sont obligés de payer environ \$1.50 de plus la tonne que le coût net du transport de \$4.40 la tonne. On a également entendu des témoignages sur les grandes variations du coût net du transport la tonne que doivent payer les éleveurs de divers endroits des provinces de l'Atlantique. Le Comité est d'avis qu'il faudrait faire beaucoup plus de recherches et apporter les modifications nécessaires, afin que le programme permette aux éleveurs de l'Est du Canada et à ceux de la Colombie-Britannique d'obtenir le grain de provenance à environ le même prix, quel que soit le lieu de résidence de l'acheteur, compte tenu toujours des cas isolés dans des régions particulières.

RECOMMANDATION.—Que l'organisme soit chargé d'examiner minutieusement le programme actuel d'aide au transport du grain de provenance en vue de corriger les anomalies existantes et de maintenir le programme à jour et en harmonie avec les conditions changeantes, telles que les taux de transport, les méthodes d'expédition et ainsi de suite. L'organisme devrait être chargé de l'administration de ce programme, y compris la révision continue, afin qu'en pratique les

Le Comité recommande la création d'une agence, d'un office ou d'une commission (ci-après dénommée l'«agence»), qui s'appellera «Canadian Feed Grains Agency», ou qui portera tout autre nom que lui donnera le Parlement. Cette agence devrait être créée par une loi et être tenue de soumettre chaque année un rapport au Parlement. L'organisme devrait comprendre trois membres au moins et cinq membres ou plus, nommés par le gouverneur en conseil. Cette agence devrait être un corps constitué qui peut passer des contrats, ester en justice ou être l'objet de poursuites civiles.

L'agence devrait être constituée en corporation en vue d'exécuter un programme concernant les céréales de provenance au profit des nourrisseurs canadiens, particulièrement ceux de l'Est du Canada et de la Colombie-Britannique, compte tenu de tous les facteurs constitutionnels et devrait avoir les pouvoirs suivants:

- (1) Exécuter le programme d'aide au transport des céréales de provenance, examiner constamment le fonctionnement du programme et proposer de temps à autre au gouvernement les recommandations qui assureront le fonctionnement le plus efficace et le plus équitable du programme dans l'intérêt national.
- (2) Exécuter le programme d'aide à l'emmagasinement des grains de provenance, examiner constamment le fonctionnement du programme et proposer de temps à autre au gouvernement les recommandations qui assureront le fonctionnement le plus efficace et le plus équitable de ce programme dans l'intérêt national.
- (3) Acheter, entreposer, transporter et vendre des grains de provenance destinés aux éleveurs de l'Est du Canada et de la Colombie-Britannique.
- (4) Prendre les mesures nécessaires pour s'assurer qu'il existe des installations suffisantes de manutention et d'entreposage dans l'Est du Canada et en Colombie-Britannique et conseiller le gouvernement à ce sujet.

Le Comité recommande que l'agence fasse une étude constante de l'ensemble du programme relatif aux grains de provenance, afin de conseiller le gouvernement au sujet du fonctionnement des programmes existants et de l'élaboration de nouveaux programmes.

L'agence devrait, en particulier, faire une étude soignée de l'ensemble du programme relatif aux grains de provenance, sous tous ses aspects, avant d'exercer tout pouvoir qui lui est conféré en vertu du paragraphe 3 ci-dessus. Le Comité est d'avis que les pouvoirs conférés à l'agence peuvent, en eux-mêmes, suffire pour assurer la stabilité des prix et pour éliminer les marges spéculatives et excessives de bénéfices. Cependant, nous voulons qu'il soit bien compris que l'agence ne devrait pas hésiter à exercer les pouvoirs qui lui sont conférés en vertu du par. 3 ci-dessus si elle juge que l'intérêt des éleveurs de l'Est de l'Ontario et de la Colombie-Britannique l'exige.

Le Comité estime souhaitable que, afin d'atteindre ses objectifs, l'agence exige de chaque moulin à provenance de l'Est du Canada et de la Colombie-Britannique qu'il lui fournisse des rapports périodiques, au moins une fois chaque semaine, indiquant les prix quotidiens de vente des provenances. L'agence pourrait recueillir ces renseignements et les mettre à la disposition des éleveurs de l'Est du Canada et de la Colombie-Britannique, qui sauraient alors si les prix payés à un moment quelconque sont compétitifs dans leur région respective.

Le Comité recommande que l'exécution du programme d'aide au transport des grains de provenance et du programme relatif à l'entreposage des grains de provenance soit autorisée par la mesure législative créant l'organisme. Il est souhaitable de donner une certaine mesure de permanence à ces programmes

D'autres modifications au programme d'aide au transport des céréales de provenance furent annoncées en juillet et en août 1964. En bref, ces modifications prévoyaient une répartition de l'Est du Canada en différents secteurs et l'établissement, pour chacun de ces secteurs, d'un taux d'assistance uniforme pour le transport du grain, effectué par n'importe quel moyen combiné (eau, rail et camion) afin que le solde des frais de transport du grain par la méthode la moins coûteuse ne dépasse pas \$2.00 la tonne. Elles prévoyaient également des taux d'aide distincts et plus élevés pour les issues de mouture et les criblures transportées par rail ou par camion vers certaines localités des provinces de l'Atlantique, ainsi que le paiement des frais d'entreposage à Halifax à partir du 15 septembre au lieu du 15 octobre, cette dernière date s'appliquant ailleurs dans l'Est du Canada.

(3) Une modification ayant pour but de permettre le transport du grain par camion, d'octroyer une aide relative aux frais de transport du grain à l'élevateur de l'Est le plus proche et de prévoir une aide supplémentaire pour le transport du grain par la méthode la moins coûteuse des éleveurs de l'Est aux moulins à provende ou aux marchands locaux.

(2) Le paiement des frais d'entreposage des grains de provenance de l'Ouest des éleveurs autorisés de l'Est, pendant la période du 1^{er} octobre au 15 avril.

(1) La mise en vigueur par la Commission canadienne du blé, à l'égard de l'avoine et de l'orge utilisées au pays, d'un régime de prix différents ou d'autres mesures commerciales, semblable à celui qui existait alors dans le cas du blé de printemps.

En août 1963, le gouvernement a annoncé qu'il avait remanié ce programme et qu'il y avait apporté les changements suivants :

Le programme d'aide se fondait sur le transport par chemin de fer et, par suite, comme l'a signalé la Commission royale des Transports en 1961, il n'a pas provoqué de concurrence entre les différents modes de transport ete maintenus.

De temps à autre, ce programme a été modifié de façon à s'adapter aux changements des prix du transport, mais les caractéristiques générales en ont été maintenues.

L'aide au transport des grains de provenance récoltés dans les provinces des Prairies et expédiés en Colombie-Britannique et dans l'Est du Canada a été autorisée en 1941. Ce programme avait un double objectif: d'une part, augmenter les débouchés du grain de provenance de l'Ouest et, d'autre part, aider les engraisseurs de l'Est du Canada et de Colombie-Britannique à obtenir des prix réduits pour le transport des grains de l'Ouest. En plus, ce programme a permis d'aider les cultivateurs de grains de provenance des Prairies à faire face à la concurrence des grains importés, en particulier du maïs en provenance des États-Unis.

CHAPITRE II—INTRODUCTION

maintenant rapport de ses constatations:

Avant terme l'étude recommandée dans l'ordre de renvoi, le Comité fait

Le Comité tient à remercier tous ceux qui ont rendu témoignage ainsi que le secrétaire, M. D.-E. Levesque, et le personnel du service des Comités de l'avoir si bien aidé dans l'accomplissement de sa tâche.

enne des agriculteurs.

12. Des dirigeants du Comité du maïs commercial de l'Ontario.
13. M. David Kirk, secrétaire de la Fédération canadienne des agriculteurs.
14. M. C. R. Phillips, coordonnateur des programmes, Fédération canadienne des agriculteurs.

CHAPITRE I—GÉNÉRALITÉS

Conformément à l'ordre de renvoi du 24 juin 1964, le Comité avait été saisi de la question suivante en vue de l'étudier et de faire rapport à son sujet: «Que le Comité permanent de l'agriculture et de la colonisation soit autorisé à faire sans délai une étude et une enquête sur toutes les questions qui découlent de l'écart entre les prix que touchent pour le grain de provende les producteurs des provinces des Prairies du Canada et le prix que paient les éleveurs de bétail dans l'Est du Canada et la Colombie-Britannique, ainsi que sur les questions qui s'y rattachent, et que la preuve fournie devant ledit Comité de la vingt-sixième législature soit renvoyée au Comité et que ce dernier ait la faculté d'accepter ces témoignages comme partie de ladite enquête.»

Au cours de la première session de la vingt-sixième législature, le Comité a tenu sept réunions et entendu la déposition des témoins suivants sur la question susmentionnée. Ces témoins ont été:

1. Le ministre de l'Agriculture et ses hauts fonctionnaires.
2. Le commissaire en chef adjoint et des fonctionnaires supérieurs de la Commission canadienne du blé.
3. Le commissaire en chef et des fonctionnaires supérieurs de la Commission des grains du Canada.
4. Des dirigeants de la Fédération canadienne des agriculteurs, de l'Union catholique des cultivateurs (U.C.C.) et de la Coopérative Fédérée.
5. Des dirigeants de la Bourse des grains de Winnipeg.
6. Des dirigeants de l'Association pour le développement et la protection de l'Agriculture de l'Est Canadien Inc.
7. M. F. W. Walsh de la *Maritime Cooperative Services Limited*.

Dans l'enquête qu'il a continué de mener sur les prix des grains de provende durant la deuxième session de la vingt-sixième législature, le Comité a tenu dix réunions et entendu les témoins suivants:

1. Des dirigeants de la *Montreal Corn Exchange Assoc.*
2. M. Charles E. S. Wallis de la Fédération des agriculteurs de la Colombie-Britannique.
3. Des dirigeants de l'Union nationale des cultivateurs.
4. M. Harold H. Lasher de la *Lasher's Feed and Seeds Limited*, Napanee (Ontario).
5. Des dirigeants de l'Association des détaillants de provende de l'Ontario.
6. Des dirigeants de la Section des céréales et des produits des céréales du *Board of Trade* du Toronto métropolitain.
7. Des dirigeants de l'Association des éleveurs de l'Ontario.
8. Des dirigeants de l'Association des fabricants de provendes (Division de l'Est), Montréal (P.Q.).
9. M. William A. Flemming, marchand de provendes, Truro (N.-É.).
10. M. Cyrice Godbout de la *Grand Falls Milling Company*, Grand Falls, (N.-B.).
11. Des dirigeants de l'Association des producteurs indépendants de maïs de l'Ontario.

Le Comité permanent de l'agriculture et de la colonisation a l'honneur de présenter son

QUATRIÈME RAPPORT

Conformément à son Ordre de renvoi du 24 juin 1964, votre Comité présente à la Chambre des communes, dans le document ci-annexé, ses conclusions, observations et recommandations.

Un exemplaire des Procès-verbaux et Témoignages du Comité (*Fascicules nos. 8 à 17 inclusivement*) est annexé au présent rapport.

Respectueusement soumis,

Le Président,
 RUSSELL C. HONEY.

22 Mars 1965

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ROGER DUHAMET, M.S.R.C.
IMPRIMEUR DE LA REINE ET CONTRÔLEUR DE LA PAPETERIE
OTTAWA, 1965

CHAMBRE DES COMMUNES
CANADA



RAPPORT

du

COMITÉ PERMANENT

DE

l'Agriculture et de la Colonisation

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